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# The Unnatural Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?

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# The Unnatural Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?

## **Abstract**

This article is a systematic review of proposed section 43(c). Proposed section 43(c) would create a federal cause of action for trademark dilution and would grossly expand trademark rights. The article reviews both the practical implications and theoretical underpinnings of the dilution concept. Part II describes the basic origins and history of the dilution debate. Part IV(A) presents the practical problems that proposed section 43(c) raises. Part IV(B) critiques some of the more popular theoretical justifications that are typically used to support granting intellectual property rights and concludes that no satisfactory theoretical justification exists to warrant an expansive federal dilution statute. The article concludes that because there is no serious philosophical ground for dilution and because of the practical problems presented by section 43(c), a federal dilution statute is not only unnecessary but also counter-productive to clear, rational consideration of legitimate trademark concerns.

## **Keywords**

federal trademark dilution, dilution, trademark rights, federal dilution legislation, federal dilution statute, intellectual property rights justification, proposed section 43(c);

## **Disciplines**

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## ARTICLES

### THE "UNNATURAL" EXPANSION OF TRADEMARK RIGHTS: IS A FEDERAL DILUTION STATUTE NECESSARY?

*Kenneth L. Port\**

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## I. Introduction

In 1988 as part of the Trademark Revision Act,<sup>1</sup> the Lanham Act was nearly amended to include a federal cause of action for trademark dilution. This amendment would have been codified as a new section 43(c).<sup>2</sup> The amendment was ultimately removed from the final bill because concerns were raised in the House that the bill would impinge upon the First Amendment rights of advertisers.<sup>3</sup> This has not deterred dilution proponents from pushing ahead with the proposed legislation.<sup>4</sup> In fact, a new federal dilution statute now seems imminent both in the United States<sup>5</sup> and Britain.<sup>6</sup> However, the potential significance that such an amend-

<sup>1</sup> Trademark Law Revision Act of 1988, Pub. L. No. 100-667, 102 Stat. 3985 (1988). The Lanham Act is codified at 15 U.S.C. §§ 1051-1072, 1091-1096, 1111-1121, 1123-1127 (1989).

<sup>2</sup> See *infra* notes 16-18 and accompanying text.

<sup>3</sup> See H.R. REP. NO. 100-1028, 100th Cong., 2d Sess. (1988). See also Jerome Gilson, *A Federal Dilution Statute: Is it Time?*, 83 TRADEMARK REP. 108, 114-15 (1993); Paul C. Van Slyke, *State Laws Against Trademark Dilution: Why They Should Not Be Preempted by the Lanham Act*, 83 TRADEMARK REP. 197, 198 (1993).

There is some evidence of trademark owners attempting to apply dilution statutes in non-commercial settings, thereby infringing upon First Amendment rights. See, e.g., *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir. 1987) (holding that the application of Maine's dilution statute to a non-commercial parody of trademark violated First Amendment).

<sup>4</sup> See, e.g., Gilson, *supra* note 3, at 108; Kimbley L. Muller, *A Position of Advocacy in Support of Adoption of a Preemptive Federal Antidilution Statute*, 83 TRADEMARK REP. 175 (1993); Laura M. Slenzak, *Dilution Law in the United States and Canada: A Review of the State of the Law and a Proposal for United States Federal Dilution Protection*, 83 TRADEMARK REP. 205 (1993).

<sup>5</sup> Gilson, *supra* note 3, at 116 (noting that an ABA committee voted overwhelmingly in support of including a dilution section in the Lanham Act).

<sup>6</sup> A bill is currently pending before the British Parliament that would effectively prohibit dilution; however, the bill does not use the word "dilution." Telephone Interview with Stephen Jones, Esq. of Boodle, Hatfield in London (Mar. 30, 1994). It is important to point out that these amendments to the British trademark law would go even further than proposed section 43(c) because they would also prohibit registra-

ment would have on trademark law in this country is extreme and warrants further serious thought and consideration.

Dilution<sup>7</sup> is variously and vaguely defined as the "whittling away"<sup>8</sup> of a trademark's distinctive capabilities, or as a "cancer-like growth . . . which feeds upon the reputation of an established distinctive trademark."<sup>9</sup> The typical state dilution statute grants injunctive relief to the holder of a trademark regardless of confusion among consumers and regardless of whether the mark was registered.<sup>10</sup>

Because proposed section 43(c) grossly expands trademark rights, and expansion is only justified by a now out-dated and discredited version of natural rights, such an amendment is not wise. In fact, this "unnatural" expansion of trademark rights would chill the development of trademark rights by others and shift the balance of protection of interests strongly in favor of the trademark

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tion of marks that "are not similar to those for which the earlier mark is protected." *Id.*

Furthermore, this trend toward granting more expansive trademark rights may be only the beginning. The British bill is in response to the European Harmonization Directive on Trademarks Articles 4(1)(b), 4(4)(a), 5(1)(b), and 5(2). *Id.*

I am indebted to Mr. Stephen Jones, Esq. of Boodle, Hatfield in London for his assistance in regards to this footnote.

<sup>7</sup> I should first point out that, herein, I conform to the "newspeak" of trademarks. What I refer to as "dilution" is often referred to as "anti-dilution." Some have advocated that the "anti" should be dropped because one does not say "anti-infringement" when speaking of infringement. See Gilson, *supra* note 3, at 109. I conform to this newspeak, not for the reasons advocated by Gilson, but rather because when I say "anti-dilution" I mean that I am opposed to the enactment of a dilution statute and "anti anti-dilution" is a bit convoluted.

<sup>8</sup> Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927).

<sup>9</sup> *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1165 (N.Y. 1977). There are actually several forms of dilution. This article addresses only pure dilution, not dilution by tarnishment, dilution by confusion, nor dilution by genericide. For an excellent critique of each of these, see David Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 546-65 (1991).

<sup>10</sup> See, e.g., the Illinois dilution statute which reads as follows:

Every person . . . using a mark, trade name label or form of advertisement may proceed by suit, and the circuit court shall grant injunctions, to enjoin subsequent use by another of the same or any similar mark, trade name, label or form of advertisement if there exists a likelihood of injury to business reputation or of dilution of the distinctive quality of the mark, trade name, label, or form of advertisement of the prior user, notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services. . . .

ILL. ANN. STAT. ch. 140, para. 22 (Smith-Hurd 1986).

holder at the expense of the consumer and uninvolved third parties.

This article is a systematic review of proposed section 43(c). The article reviews both the practical implications and the theoretical underpinnings of the dilution concept. Part II presents the actual language of proposed section 43(c).<sup>11</sup> Part III describes the basic origins and history of the dilution debate.<sup>12</sup> Part IV(A) presents the practical problems that proposed section 43(c) raises.<sup>13</sup> Part IV(B) critiques some of the more popular theoretical justifications that are typically used to support granting intellectual property rights and concludes that no satisfactory theoretical justification exists to warrant an expansive federal dilution statute.<sup>14</sup> The Article concludes that because there is no serious philosophical grounding for dilution and because of the practical problems presented by section 43(c), a federal dilution statute is not only unnecessary but also counter-productive to clear, rational consideration of legitimate trademark concerns.

## *II. Proposed Language of Section 43(c)*

The International Trademark Association (ITA)<sup>15</sup> drafted the following language that constituted the proposed section 43(c):

(1) The registrant of a famous mark registered . . . shall be entitled, subject to the principles of equity, to an injunction against another's use in commerce of a mark, commencing after the registrant's mark becomes famous, which causes dilution of the distinctive quality of the registrant's mark. . . . In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:

- (a) the degree of inherent or acquired distinctiveness of the mark;
- (b) the duration and extent of use of the mark in connection with the goods and services;

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<sup>11</sup> See *infra* notes 16-18 and accompanying text.

<sup>12</sup> See *infra* notes 21-81 and accompanying text.

<sup>13</sup> See *infra* notes 82-150 and accompanying text.

<sup>14</sup> See *infra* notes 151-267 and accompanying text.

<sup>15</sup> Previously known as the United States Trademark Association (USTA), this organization is a group of trademark attorneys and trademark owners that lobby for changes in trademark legislation and common law both in the United States and abroad. Most of their efforts are of the highest quality.

- (c) the duration and extent of advertising and publicity of the mark;
  - (d) the geographical extent of the trading area in which the mark is used;
  - (e) the channels of trade for the goods or services with which the registrant's mark is used;
  - (f) the degree of recognition of the registrant's mark in its and in the other's trading areas and channels of trade; and
  - (g) the nature and extent of the use of the same or similar mark by third parties.
- (2) Remedies. The registrant shall be entitled only to injunctive relief in an action brought under this subsection, unless the subsequent user willfully intended to trade on the registrant's reputation or to cause dilution of the registrant's mark. If such willful intent is proven, the registrant shall also be entitled to the remedies set forth in Sections 35(a) and 36, subject to the discretion of the court and the principles of equity.<sup>16</sup>

The section of the Lanham Act that contains definitions<sup>17</sup> would also be amended to define "dilution" as follows: "[t]he term 'dilution' means the lessening of the capacity of registrant's mark to identify and distinguish goods or services, regardless of the presence or absence of (a) competition between parties, or (b) likelihood of confusion, mistake or deception."<sup>18</sup>

Subsequent to the submission of these proposed amendments to Congress, the ITA amended the Model State Trademark Bill. Most significantly, the ITA supplanted the word "owner" for the word "registrant," ostensibly to ensure that the state laws would protect even marks not registered in that particular state.<sup>19</sup> Whether purposeful or not, this change amplifies the pro-property, monopolistic aspects of a federal dilution statute.<sup>20</sup>

### III. *Origins of Dilution*

Although prior documentation of the concept exists,<sup>21</sup> Frank

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<sup>16</sup> *The United States Trademark Ass'n Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 458-59 (1987) [hereinafter *USTA Report*].

<sup>17</sup> 15 U.S.C. § 1127 (1989).

<sup>18</sup> *USTA Report*, *supra* note 16, at 459.

<sup>19</sup> Andrew Goldstein, *Bringing the Model State Trademark Bill into the 90s and Beyond*, 83 TRADEMARK REP. 226, 236 (1993).

<sup>20</sup> See *infra* notes 151-99 and accompanying text.

<sup>21</sup> See Judgment of Sept. 11, 1924, Landgericht Elberfeld, 25 Juristische Wochenschrift 1924, 1925.

Schechter is generally given credit for raising the idea of dilution within the United States.<sup>22</sup> Schechter's revolutionary claim was that trademarks themselves sell products and, therefore, trademarks themselves deserve protection.<sup>23</sup> That is, Schechter's implicit claim is that there is an unacceptable gap in trademark protection.

Under standard trademark doctrine, trademark holders may enjoin the use of identical or similar marks only to the extent that a third party consumer is likely to be confused.<sup>24</sup> If the consumer is not likely to be confused because, for example, there is no competition between the trademark holder and the subsequent user, by definition, confusion cannot occur and therefore no infringement exists.<sup>25</sup> According to Schechter, this gap in trademark law was unacceptable, and it was to this gap that his radical thesis was directed.<sup>26</sup>

Schechter's dilution concept is revolutionary within trademark jurisprudence because the common law of trademarks dictates that trademarks are only protected to the extent they are used on goods or services. The United States Supreme Court continues to reinforce the common law principle of trademarks that only the prior appropriation and use of a mark is protected.<sup>27</sup> Trademark holders do not actually "own" the underlying mark at issue,<sup>28</sup> but rather, only possess a right to exclude others from using the mark in a manner that would confuse consumers.<sup>29</sup> Therefore,

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schrift 502, XXV Markenschutz und Wettbewerb (M.U.R.) 264. See also Schechter, *supra* note 8, at 831 (discussion of *Odol* case).

<sup>22</sup> See Schechter, *supra* note 8, at 825.

<sup>23</sup> *Id.* at 831.

<sup>24</sup> See 15 U.S.C. § 1052(d) (1989); 15 U.S.C. § 1114 (1989).

<sup>25</sup> Schechter, *supra* note 8, at 825.

<sup>26</sup> *Id.*

<sup>27</sup> Trade-Mark Cases, 100 U.S. 82, 94 (1879).

<sup>28</sup> See Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519, 553 (1993).

<sup>29</sup> The Supreme Court has explained, "[t]he mere fact that one person has adopted and used a trade-mark on his goods does not prevent the adoption and use of the same trade-mark by others on articles of a different description. There is no property in a trade-mark apart from the business or trade in connection with which it is employed." *American Foundries v. Robertson*, 269 U.S. 372, 380 (1926). This is why I refrain from using the terminology "trademark owner," but rather choose "trademark holder." Because there is no trademark to own, there can be no "trademark owner." This may seem to be only a question of semantics; however, this inaccurate use of terminology has had an impact in confusing courts' analysis of trademarks.



Schechter's claim that trademark protection should vastly extend beyond these clear parameters is contrary to traditional, accepted trademark jurisprudence.

Under the urging of the ITA,<sup>30</sup> many states have adopted dilution statutes starting with Massachusetts in 1947.<sup>31</sup> The ITA even drafted and urged upon the states a model trademark dilution bill.<sup>32</sup> Each of these state dilution statutes, heavily influenced by this model dilution statute, provides for injunctive relief for the trademark holder regardless of competition and confusion among the consumers. However, for roughly forty-seven years, essentially no court accepted the true expansive meaning of dilution as expressed in the state statutes.

In 1932, a New York case granted relief on behalf of Tiffany's to enjoin a movie theater from using the TIFFANY trademark in association with its business.<sup>33</sup> There the court applied the New York dilution statute and determined as actionable the "gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods."<sup>34</sup>

Between 1930 and 1977, however, the courts remained unconvinced and openly hostile to the concept of dilution even in light of the very clear mandates from state legislatures in the form of various dilution statutes.<sup>35</sup> The only significant dilution develop-

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For example, at least one court has defined trademarks as "a limited property right in a particular word." *New Kids on the Block v. News Am. Publishing, Inc.*, 971 F.2d 302, 306 (9th Cir. 1992). As will be made clear below, the trademark right is an exclusionary right, not a property right in the word itself. See *infra* notes 151-99 and accompanying text.

<sup>30</sup> Gilson, *supra* note 3, at 116.

<sup>31</sup> Act of May 2, 1947, ch. 307, § 7(a), 1947 Mass. Acts 300, *repealed by* 1973 Acts, ch. 897, § 2, *replaced by* MASS. GEN. LAWS ANN. ch. 110B, § 12 (West 1993).

<sup>32</sup> See Gilson, *supra* note 3, at 113.

<sup>33</sup> *Tiffany & Co. v. Tiffany Prods.*, 264 N.Y.S. 459 (N.Y. Sup. Ct. 1932), *aff'd*, 237 A.D. 801 (N.Y. App. Div. 1932), *aff'd*, 188 N.E. 30 (N.Y. 1933).

<sup>34</sup> *Id.* at 461-62 (citing Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927)).

<sup>35</sup> For example, the Delaware statute states:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this chapter, or a mark valid at common law or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties, or the absence of confusion as to the source of goods or services. DEL. CODE ANN. tit. 6, § 3313 (1993).

ment during that time was *Polaroid Corp. v. Polaroid, Inc.*,<sup>36</sup> where the Seventh Circuit, applying the Illinois dilution statute, found that the mark POLARAID for use in connection with designing and installing heating and refrigeration systems diluted the mark POLAROID as used in cameras.<sup>37</sup> The court stated that if the dilution statute "is not applicable to this situation, it is useless because it adds nothing to the established law of unfair competition."<sup>38</sup>

In 1977, however, the proponents of the dilution doctrine received a much needed shot in the arm. In *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*,<sup>39</sup> a New York court finally provided a judicial definition of dilution that appeared to dilution proponents to be consistent with Schechter's understanding of the problem. In *Allied Maintenance*, the plaintiff used the mark ALLIED MAINTENANCE on or in connection with high-rise building maintenance services; the defendant used the identical mark on heating, ventilating and air conditioning services. Although the court did state that dilution was "a cancer-like growth" that ate away at the distinctive qualities of a trademark,<sup>40</sup> the court went on to find that no dilution had occurred in this case because the mark ALLIED MAINTENANCE had not achieved the distinctive quality required for dilution statute protection. Therefore, dilution proponents who rely on *Allied Maintenance* as the turning point in which courts began seeing the light regarding dilution, actually rely on a case that found that no dilution had occurred. This case also erected one of the most formidable barriers to dilution relief: the requirement that the plaintiff's mark be somehow famous.

Furthermore, as unscientific and mystifying as the court's definition of dilution in *Allied Maintenance* appears, a review of all of the trademark cases and commentary does not produce a better explanation or firmer philosophical justification for the existence of a federal dilution statute. In *Allied Maintenance*, the court of appeals held that the statute was to be applied as written.<sup>41</sup> More specifically, the court held that the dilution statute could support

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<sup>36</sup> 319 F.2d 830 (7th Cir. 1963).

<sup>37</sup> *Id.* at 837.

<sup>38</sup> *Id.*

<sup>39</sup> 369 N.E.2d 1162 (N.Y. 1977).

<sup>40</sup> *Id.* at 1165.

<sup>41</sup> *Id.*

an injunction “notwithstanding the absence of . . . confusion.”<sup>42</sup> Through this holding, proponents of dilution theory, but not courts, perceived a breath of new life.

One of the primary dilution proponents, Jerome Gilson, claims that a growing number of courts are accepting dilution rationale to support an injunction.<sup>43</sup> However, the objective status of dilution theory within the courts simply does not support such an expansive claim.

Rather, courts have remained extremely hesitant to apply dilution theory, even after *Allied Maintenance*. Since 1977, the issue of trademark dilution has arisen 159 times in the federal circuit courts of appeal.<sup>44</sup> Of those 159 cases, only forty-three cases considered dilution as more than just a “tack-on” cause of action. Of the original 159 cases, only ten cases resulted in a preliminary injunction with dilution as a partial ground (the other grounds being likelihood of confusion). Only four cases actually resulted in a sustained injunction based solely on a dilution statute.<sup>45</sup> Of those four, three were from Illinois—Jerome Gilson’s home state!

In the first of these four cases, *Community Federal Savings and Loan Ass’n v. Orondorff*,<sup>46</sup> the Eleventh Circuit found that the defendant’s trademark COOKIE JAR used on topless go-go dancer entertainment services was likely to dilute the plaintiff’s mark, COOKIE JAR, as used on automated teller machines. Even this case, however, is really not a pure dilution case. This case is clearly a case of tarnishment where recovery should be possible if the plaintiff can demonstrate a likelihood of injury to business reputation.<sup>47</sup> However, in *Orondorff*, the district court found only one possible instance of evidence of injury to business reputation.

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<sup>42</sup> *Id.*

<sup>43</sup> Gilson, *supra* note 3, at 111.

<sup>44</sup> Search of LEXIS, Mega library (Mar. 30, 1994).

<sup>45</sup> *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet*, 855 F.2d 480 (7th Cir. 1988) (THE GREATEST USED CAR SHOW ON EARTH held to dilute THE GREATEST SHOW ON EARTH); *Hyatt Corp. v. Hyatt Legal Servs.*, 736 F.2d 1153 (7th Cir. 1984), *cert. denied*, 469 U.S. 1019 (1984) (HYATT on legal services held to dilute HYATT on hotels); *Instrumentalist Co. v. Marine Corps League*, 694 F.2d 145 (7th Cir. 1982) (use of SOUSA name or likeness on band awards dilutes JOHN PHILIP SOUSA BAND AWARD); *Community Fed. Sav. & Loan Ass’n v. Orondorff*, 678 F.2d 1034 (11th Cir. 1982) (use of COOKIE JAR by topless go-go bar diluted bank’s COOKIE JAR trademark for use on ATM).

<sup>46</sup> 678 F.2d 1034 (11th Cir. 1982).

<sup>47</sup> FLA. STAT. ANN. § 495.151 (West 1988).

Apparently, the plaintiff presented evidence of a male customer at one of its ATM machines asking if the ATM card was good across the street at the defendant's establishment.<sup>48</sup>

Also in 1982, the Seventh Circuit decided *The Instrumentalist v. Marine Corps League*.<sup>49</sup> In that case, apparently almost over the objection of the plaintiff's attorney,<sup>50</sup> the district court granted a preliminary injunction based upon the Illinois dilution statute even though the plaintiff had not pleaded that cause of action and the parties had not briefed it.<sup>51</sup> An interesting aside to this case is that the defendant, Marine Corps League, has absolutely nothing to do with the United States Marines.<sup>52</sup>

In the third case, *Hyatt Corp. v. Hyatt Legal Services*,<sup>53</sup> the Seventh Circuit ordered Hyatt Legal Services to change its name to avoid diluting Hyatt Corporation's mark.<sup>54</sup> Nevertheless, anyone who watches television in America knows that Joel Hyatt's company is still known as HYATT LEGAL SERVICES.

The Seventh Circuit stated that simply adding Mr. Hyatt's first name to create the name JOEL HYATT LEGAL SERVICES would be sufficient to avoid diluting the plaintiff's mark.<sup>55</sup> If confusion is not necessary to issue an injunction under the statute, it seems odd that the court's remedy is based on a confusion approach. That is, the underlying premise in dilution rationale is that any non-competing use of the mark will cause the original mark to lose its distinctiveness. Therefore, JOEL HYATT LEGAL SERVICES seems to dilute HYATT just as much as HYATT LEGAL SERVICES. The court, by requiring in its remedy that Joel Hyatt avoid confusion, inserted a standard trademark confusion analysis into its analysis even though confusion is not supposed to play a part in dilution analysis. To not require confusion to issue an injunction, but to require the defendant to *avoid* confusion to *avoid* an injunction, seems to intentionally obfuscate the purpose of dilution.

The most recent case in which a federal circuit court has sustained an injunction based on a dilution statute was *Ringling Bros.-*

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<sup>48</sup> 678 F.2d at 1036 n.5.

<sup>49</sup> 694 F.2d 145 (7th Cir. 1982).

<sup>50</sup> See Gilson, *supra* note 3, at 111.

<sup>51</sup> *Id.*

<sup>52</sup> See *Instrumentalist Co.*, 694 F.2d at 146 n.1.

<sup>53</sup> 736 F.2d 1153 (7th Cir. 1984).

<sup>54</sup> *Id.* at 1159-60.

<sup>55</sup> *Id.*

*Barnum & Bailey v. Celozzi-Ettelson*.<sup>56</sup> There the court held that the mark THE GREATEST USED CAR SHOW ON EARTH diluted THE GREATEST SHOW ON EARTH. Interestingly enough, the court claimed that the lack of a likelihood of confusion actually established the plaintiff's dilution claim.<sup>57</sup> Without any evidence whatsoever, the court determined that dilution was "an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark."<sup>58</sup> The court sustained the injunction because dilution damages were unknowable and, therefore, irreparable. There are very few, if any, comparable areas of the law in our system where an injunction is issued because of the plaintiff's inability to specify damages.

The dates of the four above-mentioned cases are 1982, 1984 and 1988. This empirical, objective evidence simply does not support the claim that a "growing number" of courts are using dilution statutes to issue injunctions.<sup>59</sup> In fact, there have been no dilution claims sustained in the federal circuit courts since 1988.

One of the most recent cases regarding dilution is indicative of the courts' usual treatment of this issue. In *Fruit of the Loom, Inc. v. Girouard*,<sup>60</sup> the Ninth Circuit held that FRUIT OF THE LOOM as used on underwear is not diluted by FRUIT CUPS as used on bus-tiers or by FRUIT FLOPS as used on thongs. To arrive at this conclusion, the court applied a tortured bifurcation of the FRUIT OF THE LOOM mark,<sup>61</sup> and held that because FRUIT alone was not

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<sup>56</sup> 855 F.2d 480 (7th Cir. 1988).

<sup>57</sup> *Id.* at 484.

<sup>58</sup> *Id.* (citing *Polaroid Corp. v. Polaroid, Inc.*, 319 F.2d 830, 836 (7th Cir. 1963)).

<sup>59</sup> Gilson, *supra* note 3, at 111 n.7. See also Note, *Dilution: Trademark Infringement or Will-o'-the Wisp?*, 77 HARV. L. REV. 520, 528 (1964) (noting that "[t]he persistence and ingenuity displayed by able federal judges in drawing the teeth of state dilution statutes, as well as their firmness in insulating the common law of unfair competition from the dilution doctrine, must give pause to its advocates."). This perceptive statement seems to be holding true even today.

<sup>60</sup> 994 F.2d 1359 (9th Cir. 1993).

<sup>61</sup> Such a bifurcated analysis is not warranted in this case. Courts are supposed to consider marks in their entirety. One can only speculate why this rather unique form of analysis was used to justify the result in this case, but it once again appears that a court is going to great extremes to avoid applying a dilution statute. The mark should be taken as a whole and compared to the mark of the alleged infringer or diluter on the whole. See RESTATEMENT OF TORTS § 729 cmt. b (1938). The Restatement explains that "[s]imilarity of appearance is determined on the basis of the total effect of the designation, rather than on a comparison of individual features. While individual features may be dissimilar, the total effect may be one of similarity." *Id.* See also Mu-

famous for underwear, it was not diluted by the defendant's use of the word "fruit" in its marks.<sup>62</sup>

As McCarthy seems to concede, establishing sufficient strength for dilution analysis is but a value judgment that is "difficult to make."<sup>63</sup> Because this analysis is so subjective, there appears to be no clear rational basis for denying Fruit of the Loom's dilution claim. If the various dilution statutes add anything to the law of unfair competition, and especially if the California statute is to be applied to the "likelihood of injury to business reputation,"<sup>64</sup> it is difficult to understand how FRUIT CUPS does not dilute FRUIT OF THE LOOM.

Although twenty-five states have currently adopted dilution statutes<sup>65</sup> and three states include dilution as part of their common law,<sup>66</sup> since the *Allied Maintenance* decision in 1977, only one state

tual of *Omaha Ins. Co. v. Novak*, 836 F.2d 397, 399 (8th Cir. 1987) (noting that courts should look to the overall effect of the mark and not just compare individual features); *International Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 825 (9th Cir. 1993). Taken on the whole, no one can take issue with FRUIT OF THE LOOM being a famous mark.

<sup>62</sup> 994 F.2d at 1363.

<sup>63</sup> J. THOMAS MCCARTHY, *TRADEMARK AND UNFAIR COMPETITION* § 24:14, at 225 (2d ed. 1984).

<sup>64</sup> CAL. BUS. & PROF. CODE § 14330 (West 1992). See also *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1181 (9th Cir. 1988).

<sup>65</sup> Twenty-five states now have trademark dilution statutes. See ALA. CODE § 8-12-17 (1991); ARK. CODE ANN. § 4-71-113 (Michie 1991); CAL. BUS. & PROF. CODE § 14330 (West 1992); CONN. GEN. STAT. ANN. § 35-11(i)(c) (West 1990); DEL. CODE ANN. tit. 6, § 3313 (1993); FLA. STAT. ANN. § 495.151 (West 1991); GA. CODE ANN. § 10-1-451(b) (Michie 1991); IDAHO CODE § 48-512 (1992); ILL. ANN. STAT. ch. 140, para. 22 (Smith-Hurd 1986); IOWA CODE ANN. § 548.11(2) (West 1991); LA. REV. STAT. ANN. § 51:223.1 (West 1991); ME. REV. STAT. ANN. tit. 10, § 1530 (West 1991); MASS. GEN. L. ch. 110B, § 12 (1992); MO. ANN. STAT. § 417.061 (Vernon 1990); MONT. CODE ANN. § 30-13-334 (1992); NEB. REV. STAT. § 87-122 (1990); N.H. REV. STAT. ANN. § 350-A:12 (1991); N.M. STAT. ANN. § 57-3-10 (Michie 1992); N.Y. GEN. BUS. LAW § 368-d (McKinney 1992); OR. REV. STAT. § 647.107 (1991); 54 PA. CONS. STAT. § 1124 (1990); R.I. GEN. LAWS § 6-2-12 (1991); TENN. CODE ANN. § 47-25-512 (1991); TEX. BUS. & COM. CODE ANN. § 16.29 (West 1992); WASH. REV. CODE § 19.77.160 (1991). Most of these statutes are patterned after section 12 of the Model State Trademark Bill. B.J. Meadows III, *Trademark Dilution: Its Development, Japan's Experience, and the New USTA Federal Proposal*, 22 GEO. WASH. J. INT'L L. & ECON. 417, 425 (1988). For the text of the Model State Trademark Bill, see MCCARTHY, *supra* note 63, § 22:4, at 29-35.

<sup>66</sup> Michigan is considered a common law dilution state as a result of the following cases that issued an injunction based on a dilution theory. However, all of these cases were coupled with confusion and trademark infringement. See *O M Scott & Sons Co. v. Surowitz*, 209 F. Supp. 59 (E.D. Mich. 1962); *Koffler Stores, Ltd. v. Shoppers Drug Mart, Inc.*, 434 F. Supp. 697 (E.D. Mich. 1976); *Consolidated Freightways, Inc. v. Cen-*

case granting an injunction for dilution has been sustained on appeal,<sup>67</sup> and that occurred over ten years ago. In fact, in 1990, Washington's Legislature adopted a dilution statute that is almost identical to proposed section 43(c).<sup>68</sup> However, in over three years since the effective date of the Washington statute, not one single reported case has even referenced the existence of the statute let alone used it to enjoin the conduct of a non-competing trademark user.<sup>69</sup>

The actual current status of dilution in United States courts is merely a tacked-on cause of action added to most complaints for trademark infringement. Because only four of the thousands of such complaints containing dilution causes of action were successful in sustaining a dilution claim in the federal circuit courts during the last seventeen years,<sup>70</sup> judges apparently either do not understand dilution or do not take dilution statutes seriously. Apparently, courts do not see dilution claims as distinct from the underlying trademark action. To say that an increasing number of courts are issuing injunctions on pure dilution grounds seems instead to be an overly optimistic outlook for the future.

However, dilution proponents have been recently encouraged by the Supreme Court's dicta that Congress "could determine that unauthorized uses, even if not confusing, nevertheless may harm the [plaintiff/trademark holder] by lessening the distinctiveness

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tral Transport, Inc., 201 U.S.P.Q. 524 (E.D. Mich. 1978). Therefore, it is far from clear whether a plaintiff would succeed on a pure dilution common law cause of action in Michigan.

New Jersey has also recognized common law dilution. See *Chanel, Inc. v. Casa Flora Co.*, 241 A.2d 24 (N.J. Super. Ct. App. Div. 1967), *cert. denied*, 242 A.2d 381 (N.J. 1968). But see *Great Atl. & Pac. Tea Co. v. A & P Trucking Corp.*, 149 A.2d 595 (N.J. 1959) (injunction issued even though there was no competition, but court required and found a reasonable likelihood of confusion). See also *Caesar's World, Inc. v. Caesar's Palace*, 490 F. Supp. 818 (D.N.J. 1980). Therefore, it is also quite unlikely that a plaintiff would prevail in New Jersey under the common law in a pure dilution cause of action.

Ohio also appears to recognize a common law cause of action for dilution. See *Ameritech, Inc. v. American INF Technologies Corp.*, 811 F.2d 960, 965 (6th Cir. 1987).

<sup>67</sup> *Wedgwood Homes, Inc. v. Lund*, 659 P.2d 377 (Or. 1983).

<sup>68</sup> WASH. REV. CODE § 19.77.160 (1992).

<sup>69</sup> Search of LEXIS, Washington state cases library (Mar. 29, 1994).

<sup>70</sup> See *supra* note 45.

and thus the commercial value of the marks."<sup>71</sup> In support of this proposition, the Supreme Court cited *Schechter*.<sup>72</sup> Therefore, at least at this time, an attack on any federal dilution statute as unconstitutional will probably not be well received by the Supreme Court unless it is grounded in the First Amendment.

Today, most non-academic commentators in trademark law strongly support dilution statutes.<sup>73</sup> Commentators such as Pattishall,<sup>74</sup> McCarthy<sup>75</sup> and Gilson<sup>76</sup> all strongly favor the proposed dilution statute.<sup>77</sup> These commentators have done much to further the field and their efforts deserve credit. However, before a federal dilution cause of action is created, I urge a final reconsideration.<sup>78</sup>

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<sup>71</sup> *San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522, 539 (1987).

<sup>72</sup> *Id.*

<sup>73</sup> See, e.g., Gilson, *supra* note 3, at 108; Muller, *supra* note 4, at 175; Slenzak, *supra* note 4, at 205.

<sup>74</sup> Beverly W. Pattishall, *The Dilution Rationale for Trademark-Trade Identity Protection, Its Progress and Prospects*, 71 NW. U. L. REV. 618 (1976) [hereinafter Pattishall, *Dilution Rationale*]; Beverly W. Pattishall, *Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection*, 74 TRADEMARK REP. 289 (1984) [hereinafter Pattishall, *Dawning Acceptance*]; BEVERLY W. PATTISHALL & DAVID C. HILLIARD, TRADEMARKS, TRADE IDENTITY, AND UNFAIR TRADE PRACTICES §§ 5.1-5.3 (1974).

<sup>75</sup> J. THOMAS MCCARTHY, TRADEMARK AND UNFAIR COMPETITION § 24.13 (3d ed. 1992).

<sup>76</sup> Gilson, *supra* note 3; JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE § 5.05[2] (1993).

<sup>77</sup> See also 3 RUDOLPH CALLMANN, THE LAW OF UNFAIR COMPETITION, TRADEMARKS, AND MONOPOLIES 953-78 (3d ed. 1969) [hereinafter CALLMANN]; 2 HARRY D. NIMS, THE LAW OF UNFAIR COMPETITION AND TRADEMARKS 1204-06 (4th ed. 1947); Rudolph Callmann, *Unfair Competition Without Competition?: The Importance of the Property Concept in the Law of Trade-Marks*, 95 U. PA. L. REV. 443 (1947) [hereinafter Callmann, *Unfair Competition Without Competition?*].

<sup>78</sup> Many other commentators also urge a final reconsideration before adopting a federal dilution cause of action. See, e.g., Milton W. Handler, *Are the State Antidilution Laws Compatible With the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 273 (1985) (noting that dilution protects the mark while confusion protects the business); Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122 (1993); George E. Middleton, *Some Reflections on Dilution*, 42 TRADEMARK REP. 175 (1952); Howard J. Shire, *Dilution versus Deception—Are State Antidilution Laws and Appropriate Alternative to the Law of Infringement?*, 77 TRADEMARK REP. 273 (1987) (stating that the inadequate articulation of the damage to the senior trademark user or the benefit derived by the junior user makes dilution difficult to justify); David S. Welkowitz, *Preemption, Extraterritoriality, and the Problem of State Antidilution Laws*, 67 TUL. L. REV. 1 (1992); Walter Derenberg, *The Problem of Trademark Protection and the Antidilution Statutes*, 44 CAL. L. REV. 439 (1956). But see Michael L. Taviss, *In Search of a Consistent Trademark Dilution Test: Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 58 U. CIN. L. REV. 1499, 1475 n.252 (1990) (stating



I do not share the feelings of these commentators that a federal dilution statute is imperative at this juncture. Because there are only four federal cases in seventeen years where a dilution cause of action has been sustained, the problem simply cannot be as immediate as the dilution proponents would have us believe. Furthermore, even within those four cases, the dilution cause of action was dubious at best. If, for example, COOKIE JAR is famous enough for ATMs,<sup>79</sup> it is very difficult to conceive of a reason why LEXIS is not famous for computer assisted research services<sup>80</sup> or why FRUIT OF THE LOOM is not famous for underwear.<sup>81</sup>

#### IV. *Opposition to Proposed Section 43(c)*

Given this background to the dilution discourse, there are many reasons why a federal dilution statute is unwise. The following presents both practical, as well as theoretical reasons, why proposed section 43(c) should be opposed.

##### A. *Practical Problems with Proposed Section 43(c)*

##### 1. Trademarks Are Not Really Subject to Dilution

If proposed section 43(c) is enacted, it would become one of the few pieces of legislation in recent times where the old saying “a remedy without a wrong”<sup>82</sup> really would apply. That is, the proponents of dilution have not established that trademarks are even susceptible to dilution. No mark has ever actually, quantitatively been established to have been diluted.<sup>83</sup> If it had, we should be able to point to a specific trademark that was worth  $X$  before the entry of a newcomer but worth  $X$  minus  $Y$  after the entry of a non-competing

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that a federal dilution statute would promote uniformity); Meadows, *supra* note 65, at 426.

<sup>79</sup> See *Community Fed. Sav. & Loan Ass'n v. Orondorff*, 678 F.2d 1034 (11th Cir. 1982).

<sup>80</sup> *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2d Cir. 1989) (holding that LEXIS mark used on data retrieval not famous enough for dilution analysis). See *infra* note 91 and accompanying text.

<sup>81</sup> *Fruit of the Loom, Inc. v. Girouard*, 994 F.2d 1359 (9th Cir. 1993).

<sup>82</sup> See, e.g., Harriet K. Dorsen, *Satiric Appropriation and the Law of Libel, Trademark, and Copyright: Remedies Without Wrongs*, 65 Bos. U. L. REV. 923 (1985).

<sup>83</sup> In fact, in *Ringling Bros.*, the court stated that dilution damages are unknowable and it is this fact that makes the damages irreparable even lacking any real evidence. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet*, 855 F.2d 480, 484-85 (7th Cir. 1988).

and diluting newcomer. Because there is none leads me to doubt even the existence of the idea of dilution.<sup>84</sup>

However, as articulated by Schechter, the problem actually does have some superficial appeal. If marks greatly lose their value simply through their usage by non-competitors, it seems that such conduct should be prevented to protect the goodwill of the mark holder. However, the very marks Schechter himself used as examples are either still very strong and distinctive trademarks or have appropriately ceased to exist as he knew them.<sup>85</sup> These changes were due to natural economic factors and not dilution. Kodak is still used on cameras; Rolls-Royce is still used on automobiles. Somehow, the holders of these marks have been able to maintain and prevent others from using their marks in a manner that would lessen the distinctive value of their marks. Neither Kodak nor Rolls-Royce has ever been a party to a reported dilution cause of action in the sixty-five years since Schechter's article.<sup>86</sup> Therefore, it seems that they were capable of protecting their marks from Schechter's feared dilution. There are no Kodak tires and there are no Rolls-Royce sunglasses undermining the value of these "famous" trademarks.

An objective, longitudinal study is required to establish that trademarks are subject to dilution as defined. Until a specific harm can be identified, a consumer's "ephemeral state of mind," over which some dilution proponents purport to have a complete understanding,<sup>87</sup> should not be sufficient justification alone to create

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<sup>84</sup> The only real attempt that I can find to quantify actual dilution damage is Alexander Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework to Judge "Likelihood" of Dilution*, 83 TRADEMARK REP. 149 (1993). Although this article's purpose was apparently to provide tests for determining if dilution has occurred, the flaws in its analysis cuts against its persuasiveness. First, it claims that trademark dilution is a "psychological phenomenon." *Id.* That any court can evaluate psychological phenomenon using the tests proposed seems doubtful at best. More importantly, however, is that the author fundamentally misconstrues trademark protection. The author's understanding of dilution is that use of a similar mark on non-competing goods lessens the public's ability to identify "product categories." *Id.* at 152-53. This is not the purpose of trademark protection. To the degree a mark comes to identify the product or product category and not the producer, the mark becomes generic. Therefore, this attempted quantification of dilution reads more like a way to monopolize a generic trademark. Perhaps this is why courts have been so loath to adopt dilution rationale.

<sup>85</sup> See Schechter, *supra* note 8, at 829.

<sup>86</sup> Search of LEXIS, Mega library (Mar. 29, 1994).

<sup>87</sup> See, e.g., Pattishall, *Dilution Rationale*, *supra* note 74, at 625.

new and expansive trademark rights not recognized at common law.

## 2. State Dilution Statutes Are Overbroad and Ignored by Courts

As stated above,<sup>88</sup> contrary to dilution proponents' claims, only about two percent of dilution cases brought to the federal circuit courts of appeal since 1977 have resulted in a sustained injunction based solely upon dilution. Therefore, the state dilution statutes have had virtually no impact on the outcome of trademark cases to date.

Rather, courts are still quite hostile to the notion of dilution even in light of clear legislative mandates to the contrary. For example, the New York dilution statute states that:

Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.<sup>89</sup>

Thus, in New York, the use of a mark may be enjoined regardless of whether there is confusion in the minds of the consumers, regardless of whether there is competition between the parties and regardless of whether the mark is registered. There is no mention in the statute that the plaintiff's mark has to be anything other than "a mark." There is no minimum threshold required for the strength of the plaintiff's mark. There is no clear indication that the statute applies only to famous trademarks. In fact, on its face, the New York dilution statute appears to apply to any trademark.

In one of the more popular dilution cases to date, the plain language of the New York dilution statute did not prevent the Second Circuit from requiring that confusion be demonstrated and that the plaintiff's mark be "famous" or even "very famous" before it would sustain an injunction for dilution. In *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*,<sup>90</sup> the Second Circuit dissolved the district

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<sup>88</sup> See *supra* notes 44-45 and accompanying text.

<sup>89</sup> N.Y. GEN. BUS. LAW § 368-d (McKinney 1992).

<sup>90</sup> 875 F.2d 1026 (2d Cir. 1989).

court's injunction<sup>91</sup> based upon the New York dilution statute. The district court had enjoined Toyota from using the trademark LEXUS on automobiles, accepting Mead Data's argument that such use diluted the LEXIS trademark as used on computer-assisted data retrieval systems.<sup>92</sup>

The first reason the Second Circuit gave for dissolving the injunction was because the marks LEXUS and LEXIS themselves were not confusingly similar.<sup>93</sup> The court held that the "everyday spoken English" test used by the district court was the wrong test. Rather, the court held that the proper test to utilize was a trained radio or television announcer—what I refer to as the "Dan Rather test"—to determine if the marks are confusingly similar.<sup>94</sup>

There are, of course, many problems with this analysis. First, it is well settled in trademark law that one primary objective is to guard against the likelihood of consumer confusion. It is not confusion between the marks, but rather confusion in the minds of the consumers as to the source of the goods that is actionable.

Apparently, in one broad stroke, the Second Circuit changed that standard. Although likelihood of dilution in the minds of the consumers is supposed to be the test, the Second Circuit required that someone other than the average consumer be used to determine if the marks are confusingly similar. Generally, the articulated purpose of dilution is to prevent the whittling away of the distinctive value of the mark *in the minds of the consumer*.<sup>95</sup> However, to determine whether the marks are similar, the Second Circuit required that a non-consumer—a person with special capabilities in enunciating trademarks—be employed. If the marks are confusingly similar, either to Dan Rather or when one hears Dan Rather speak them (apparently, regardless of the appearance or meaning of the marks), then, and only then, will the Second Circuit find dilution. This tortured reasoning by the court should be understood as a rather creative attempt at avoiding the application of the dilution statute, for

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<sup>91</sup> Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc., 702 F. Supp 1031 (S.D.N.Y. 1988).

<sup>92</sup> *Id.* at 1044.

<sup>93</sup> The court held that only "the marks must be 'very' or 'substantially' similar and that, absent such similarity, there can be no viable claim of dilution." *Mead Data*, 875 F.2d at 1029.

<sup>94</sup> *Id.* at 1030.

<sup>95</sup> *Id.* at 1031 (emphasis added).

nowhere else in the common law of trademarks is confusion between the marks forgiven if Dan Rather is able to distinguish between them.

Furthermore, requiring the Dan Rather Test for enunciation predetermines the outcome. If LEXUS and LEXIS are not confusingly similar in sound, meaning or appearance, then only an exactly identical mark may dilute. This is completely contrary to the law the Second Circuit cited as controlling.<sup>96</sup> It is also totally contrary to reality. One finds numerous indications in the mass media where journalists, who are also supposed to be "more careful and precise"<sup>97</sup> in their use of the English language, have not been able to avoid confusing LEXIS with LEXUS.<sup>98</sup> That is, even though the statute clearly states that an injunction may be issued "regardless of confusion," the Second Circuit denied the injunction partially on tortured reasoning that the marks are not confusingly similar.

Furthermore, even though the New York dilution statute does not require fame, the Second Circuit dissolved the injunction, arguing that Mead Data's mark was not famous.<sup>99</sup> The Second Circuit argued that LEXIS may have been strong and distinctive within Mead Data's market of attorneys and accountants, but with the public at large it had very little selling power.<sup>100</sup> Therefore, because the public at large was not aware of Mead Data's LEXIS trademark, the Second Circuit said the mark was not famous and, accordingly, dissolved the injunction.<sup>101</sup>

This analysis also prejudices the outcome in a rather crafty manner. In trademark infringement analysis, one element in determining infringement is for the court to consider the strength of the mark.<sup>102</sup>

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<sup>96</sup> See *id.* at 1030-31 (citing *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162 (N.Y. 1977)).

<sup>97</sup> *Id.* at 1030.

<sup>98</sup> See, e.g., Rich Hein, *Law School Bringing Computer to Classroom*, CHI. SUN-TIMES, Jan. 2, 1992, at 51 (where the author writes LEXUS when referring to the computer-assisted data retrieval system rather than LEXIS).

<sup>99</sup> 875 F.2d at 1031. Actually, in different places in the opinion, the Second Circuit requires that the mark be "distinctive," *id.* at 1030, then "famous," *id.* at 1031, then "very famous." *Id.* It appears that the Second Circuit's fame requirement increased as it went along.

<sup>100</sup> *Id.*

<sup>101</sup> *Id.* at 1031-32. Specifically, the court noted that only one percent of the general public associated LEXIS with Mead Data. *Id.* at 1028.

<sup>102</sup> Most circuits have adopted some form of a strength test in their multi-factored infringement analysis. See, e.g., *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961); *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522 (4th Cir. 1984); *Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville*,

As with all infringement analyses, this analysis is actually an inquiry into the perception of the ordinary purchaser, not of consumers at large.<sup>103</sup> The ordinary purchaser is the class of consumers that actually or prospectively buys the trademark holder's goods or services.

Therefore, when the Second Circuit requires a mark to be "famous" in the minds of consumers at large before it will apply the dilution statute, the court actually predetermines the outcome of dilution cases. There are very few marks that are truly famous in the minds of consumers at large. Totally inconsistent with this requirement is the Second Circuit's refusal to apply the ordinary person test to determine whether the marks are similar. In other words, the Second Circuit required that a specially trained person be used to determine if LEXIS and LEXUS sound alike, but required the populace at large to be used to determine if the plaintiff's mark is famous. I can find no support whatsoever for this proposition in the common law.

Furthermore, the Second Circuit stated in *Mead Data* that outside Mead Data's primary market of attorneys and accountants, the mark LEXIS "has very little selling power."<sup>104</sup> Because LEXIS lacked this selling power outside of its primary market, the court held that LEXIS was not famous and therefore not capable of being diluted. Again, this analysis is completely contrary to the alleged purpose of dilution theory. That is, dilution is not supposed to protect the selling power outside of the primary mark's market, but rather to protect it from a whittling away of the distinctiveness of the mark *in its own market*.<sup>105</sup>

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Inc., 670 F.2d 642 (6th Cir. 1982), *cert. denied*, 459 U.S. 916 (1982); *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325 (7th Cir. 1977), *cert. denied*, 434 U.S. 1070 (1978); *Squirtco v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979). Even the Restatement of Torts requires a showing of strength. See RESTATEMENT OF TORTS § 729 (1938). For a convenient review of each circuit's elements in infringement analysis, see DONALD S. CHISUM & MICHAEL A. JACOBS, UNDERSTANDING INTELLECTUAL PROPERTY LAW § 5F[1][a] (1992).

<sup>103</sup> See *In re Abcor Dev. Corp.*, 588 F.2d 811, 814 (C.C.P.A. 1978); *In re Omaha Nat'l Corp.*, 819 F.2d 1117, 1121 (Fed. Cir. 1987). Although these cases address distinctiveness for registration purposes, the analysis is the same for categorizing marks for infringement analysis as well.

<sup>104</sup> *Mead Data*, 875 F.2d at 1031.

<sup>105</sup> See William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 308-09 (1987). The law and economic attack on dilution states that dilution confusion does not occur in the primary market for the trademarked good, but rather in a new "resale" market where consumers compete to get the cheapest copy possible. Protecting a trademark from dilution is like granting trademark protection to a descriptive mark without secondary meaning. It all adds

Even dilution proponents, I think, would recognize the monopolistic aspects of attempting to protect or create "selling power" of a mark outside of its own market.

By adding these judicially-crafted requirements that the mark be "very famous" and confusingly similar, even though the statute does not require them, it becomes obvious that the Second Circuit is extremely hostile to the concept of dilution. To say otherwise is rather misleading. If the mark LEXUS as used on automobiles does not dilute LEXIS as used on computerized data-retrieval systems, the doctrine of dilution adds nothing to the common law of unfair competition.<sup>106</sup> On its face, the language of the New York dilution statute, as well as all other state dilution statutes, is clearly broad enough to allow for an injunction in *Mead Data*. The judicially-crafted contortions used to avoid an injunction based upon trademark dilution can only lead to the conclusion that at least the Second Circuit is *not* receptive to the dilution cause of action.<sup>107</sup>

Indeed, LEXUS has not been a "cancer-like growth"<sup>108</sup> whittling away the distinctive quality of LEXIS. If anything, it has heightened people's awareness of the existence of Mead Data. Therefore, if LEXUS had diluted LEXIS, Toyota would be required to compensate Mead Data in corrective advertising costs and by refraining from using LEXUS.<sup>109</sup> If dilution is a compensable event when one detracts or dilutes the distinctiveness of someone else's mark, should it not also then be a compensable event if one contributes to the distinctiveness of a mark? Therefore, if one carries the dilution rationale through to its logical end, it seems at least in *Mead Data* that Mead Data is being unjustly enriched by Toyota's conduct.

If a mark is capable of being diluted by the use of a similar, but

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transaction costs to the price of the goods or prevents other manufacturers from making cheap copies. *Id.*

<sup>106</sup> See *Polaroid Corp. v. Polaroid, Inc.*, 319 F.2d 830, 837 (7th Cir. 1963).

<sup>107</sup> In response to losing in the Second Circuit, Mead Data's extra-judicial remedy is truly amazing. Subsequent to the Second Circuit's opinion, Mead Data began sponsoring the Infinity Sweepstakes and broadcasting the winner to all on-line users of their services. Toyota's response has been at least equally as creative. Toyota now sells access to a maintenance related computer data retrieval system in conjunction with the sale of its LEXUS automobiles. They call this service LEXUS SATELLITE NETWORK.

<sup>108</sup> See *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1165 (N.Y. 1977).

<sup>109</sup> This was the remedy granted below. See *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 702 F. Supp. 1031, 1044 (S.D.N.Y. 1988).

not confusing mark on non-competing goods, then it should also be capable of being made *more* distinct by the conduct of a third party. If, as dilution proponents argue, the use of all trademarks impacts upon the value of others, then the antithesis to dilution also should not only be possible but should be equally compensable. Therefore, it appears that because LEXUS did not dilute LEXIS, Mead Data must owe Toyota for the increased value to its trademark, for if it did not dilute LEXIS then it must have made it more distinct. Dilution proponents do not allow for one mark to have no effect on another. Therefore, the third option—no effect—is not a possibility.

### 3. Courts Apply Confusion Element Inconsistently

Interestingly enough, dilution proponents argue that because courts have been inconsistent in their application of almost identical state dilution statutes, this somehow militates a federal solution to the problem to establish consistency.<sup>110</sup> However, if, as I argue, there is doubt that trademarks are subject to dilution at all (or, if diluted, whether that is always a negative event in the greater perspective), state inconsistency should be expected. When a right is vague and impossible to articulate, courts will always be inconsistent in their application of that right. To legislate a mandatory outcome to an issue that is by no means settled does a disservice to our system of federalism. To me, the inconsistencies between the federal circuits and district courts in their application of dilution is only further evidence that the necessity of the remedy should be reconsidered.

For example, New York courts require evidence of confusion even though the New York statute clearly dictates that dilution may be found regardless of confusion.<sup>111</sup> Oddly enough, the Illinois courts will refuse to find dilution if there is confusion.<sup>112</sup> Therefore, New York courts require confusion while Illinois courts preclude dilution remedies when there is confusion. To make matters worse, the New York dilution statute and the Illinois dilution stat-

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<sup>110</sup> Muller, *supra* note 4, at 187 ("Inconsistent and improper determinations of distinctiveness are significant arguments for simply scrapping all state antidilution laws and starting over with a more precise federal statute."). Perhaps if the federal statute were precise or if the concept were capable of being described precisely, I would be less opposed to it.

<sup>111</sup> Pattishall, *Dilution Rationale*, *supra* note 74, at 624 n.47.

<sup>112</sup> See generally *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266 (7th Cir. 1976).



ute are identical.<sup>113</sup>

Such a gross inconsistency in the application of identical statutes is only problematic if the underlying right at stake is well-recognized and historically received. However, in our common law system, if the legitimacy of the underlying right at stake is questionable, such inconsistencies indicate that courts are not receptive to the concept of dilution. To think that courts will amend their views of dilution because of the existence of a federal statute, rather than the current twenty-five state statutes and three common law jurisdictions that they were supposed to be interpreting, seems very naive.

Although legal realism<sup>114</sup> may have been dealt a final death blow in the politically correct rhetoric of our society when even Ruth Bader Ginsburg stated in her confirmation hearings that judges do not make law, they interpret and apply the law,<sup>115</sup> such games with semantics should not be accepted blindly. Courts have been extremely active in making law when it comes to applying dilution statutes. The purpose of virtually all of this law creation has been to avoid applying the clear mandates of the various statutes. Therefore, it does not seem realistic that courts would drastically alter their course and apply dilution any more often than they do currently. In fact, the proposed section 43(c) basically codifies the fame requirement that courts have grafted onto the state dilution statutes. Even the Model State Trademark Bill was amended to indicate this change.<sup>116</sup> This all originated with the courts' unwillingness to apply dilution statutes in monopolistic ways.

#### 4. Courts Blur the Distinction Between Confusion and Dilution

The purpose of dilution is to plug a gap in trademark protec-

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<sup>113</sup> Compare ILL. ANN. STAT. ch. 140, para. 22 (Smith-Hurd 1986) with N.Y. GEN. BUS. LAW § 368-d (McKinney 1992).

<sup>114</sup> Legal realism is, of course, the notion that judges do make law to justify the outcomes of the cases they adjudicate. That is, first judges decide the outcome and then they find, apply and make fit the law that justifies that result. See generally KARL N. LLWELLYN, *THE BRAMBLE BUSH* (2d ed. 1951); THEODORE M. BENDITT, *LAW AS RULE AND PRINCIPLE* (1978).

<sup>115</sup> *Transcript of Hearing of the Senate Judiciary Committee Subject: Confirmation of Ruth Bader Ginsburg as Supreme Court Justice*, Federal News Service, July 21, 1993, available in LEXIS, Nexis Library, Fednew file.

<sup>116</sup> See *USTA Report*, *supra* note 16, at 459.

tion.<sup>117</sup> That is, a dilution cause of action is supposed to be a remedy distinct from trademark infringement. Such distinction makes practical sense; however, as applied, it becomes nonsense. Courts have had a very difficult time severing dilution analysis from trademark infringement analysis. The attempts in the form of proposed section 43(c) will only lead to greater uncertainty and strange applications of the law.

It appears from the language of proposed section 43(c) that the drafters were primarily concerned with defining which marks would be famous enough to be used offensively in a dilution cause of action. Rather than providing any language whatsoever about when a mark dilutes another, much language is provided to help courts define what a famous or distinctive mark is and to clarify that only these famous or distinctive marks will be statutorily recognized as capable of being diluted. Apparently, if the mark is deemed famous, dilution is a foregone conclusion.<sup>118</sup>

For example, the factors in determining a likelihood of confusion and the factors in determining a likelihood of dilution are indistinguishable.<sup>119</sup>

#### *DILUTION FACTORS*<sup>120</sup>

Renown of senior mark  
Similarity of marks  
Similarity of products  
Predatory intent  
Renown of junior mark  
Sophistication of buyers

#### *INFRINGEMENT FACTORS*<sup>121</sup>

Strength of the mark  
Similarity of marks  
Similarity of products  
Defendant's intent  
Quality of defendant's product  
Sophistication of buyers  
Will gap be bridged?  
Actual confusion

<sup>117</sup> Derenberg, *supra* note 78, at 441.

<sup>118</sup> Only Judge Sweet in his concurrence in *Mead Data* has seriously addressed a real test for dilution. *See Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035-38 (2d Cir. 1989) (Sweet, J., concurring).

<sup>119</sup> The following is a comparison of the likelihood of dilution factors and likelihood of infringement factors as determined by the Second Circuit. Although the test in each circuit differs slightly, the same comparisons would be valid.

<sup>120</sup> *See Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035-38 (2d Cir. 1989) (Sweet, J., concurring) (noting that the proposed test for dilution should mirror infringement analysis). *See also Welkowitz, supra* note 9, at 572-73 (criticizing Judge Sweet's test as operating as little more than a less rigorous confusion test).

<sup>121</sup> *See Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961), *cert. denied*, 368 U.S. 820 (1961). These are also known as the "Polaroid factors."

As can be clearly seen, all of the six likelihood of dilution factors proposed by Judge Sweet have an identical likelihood of infringement corresponding factor. If Judge Sweet's approach in *Mead Data* is followed, having completely parallel tests will not enhance the alleged distinctive nature of a dilution cause of action. In fact, it will likely cause even more confusion in the minds of judges that must apply these tests. Because of this conceptual similarity between the two causes of action, judges tend to blur this distinction. It is hard to understand how proposed section 43(c) would be able to clarify this situation.

The same is true regarding the "fame factors" as stated in the proposed section 43(c). In this case, each of these factors correspond to an inquiry into secondary meaning. The fame factors from proposed section 43(c) include: (1) the extent of the mark's inherent or acquired distinctiveness; (2) the duration and breadth of the mark's use in relation to the goods and services; (3) the duration and scope of the mark's advertising and publicity; (4) the geographical scope of the trading area where the mark is actually used; (5) the channels of trade; (6) the degree of the mark's recognition in its and the other party's trading areas and channels of trade; and (7) the nature and scope of the use of the same or similar marks by others.<sup>122</sup>

Although the intent of the ITA in drafting these fame factors was to clarify which trademarks would be famous or distinctive enough to warrant dilution protection,<sup>123</sup> implementation of these factors as drafted will actually have the opposite effect upon courts. Because these fame factors so closely resemble those used to determine whether a trademark is either distinctive or has secondary meaning, more courts rather than less are likely to be confused in applying these factors.

For example, the first factor, the degree of inherent or acquired distinctiveness, highlights the problem. Although a distinct remedy, trademark discourse and terminology played a major role in the drafters' attempts to define and describe the harm they perceive. However, the first factor instructs that to determine if a mark is famous, it should be inherently distinctive or have acquired distinctiveness.<sup>124</sup>

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<sup>122</sup> See *USTA Report*, *supra* note 16, at 458-59.

<sup>123</sup> See Gilson, *supra* note 3, at 116.

<sup>124</sup> See generally MCCARTHY, *supra* note 63, § 11.1, at 433. Trademarks are categorized from inherently distinctive to weak. The strongest marks are arbitrary or fanciful marks, that is, made up names with no product association in the minds of the

The problem is that the drafters have used trademark terminology to attempt to capture dilution rhetoric. When speaking of distinctiveness for dilution purposes, it is clear that courts require far more for a mark allegedly diluted than they do for a mark that is allegedly infringed. Therefore, it should be no surprise if courts continue to confuse and blur dilution analysis with infringement analysis. Although they are intended to be mutually exclusive inquiries—to fill the gap in trademark protection—they use the exact same terminology.

However, the fact is that distinctiveness for trademark analysis is not synonymous with distinctiveness for dilution analysis. A distinctive trademark does not necessarily equal a distinctive or famous mark for dilution analysis.<sup>125</sup> One could have a distinctive and strong mark for purposes of trademark infringement or validity, but that same mark would not be sufficiently distinctive to support an injunction for dilution.<sup>126</sup>

The use of the term “distinctive” in both trademark analysis and dilution analysis standing for two totally different concepts will cause even more confusion within the minds of courts and litigants. Use of the term “fame” helps clarify the distinction, but it is hindered if fame is defined by use of the term “distinctive.” Because “distinctive” has a well litigated meaning within trademark jurisprudence, it should be left out of the fame factors.

Furthermore, the fame factors blur the concept of secondary meaning into the determination of fame.<sup>127</sup> All of the fame factors

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consumers. Suggestive marks are second on the continuum. Suggestive marks are those that require some imagination for the purchaser to associate the mark with the product on which it is used. Descriptive marks are those that only describe the goods or an attribute of the goods. Descriptive marks are not valid unless they possess secondary meaning. Finally, generic marks are those that, in the minds of the relevant purchasing public, signify the product and not the producer. *Id.*

<sup>125</sup> Apparently the defendant in *Ringling Bros.* made the same argument. The court called it “unique” and dismissed it completely. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet*, 855 F.2d 480, 483 (7th Cir. 1988).

<sup>126</sup> See, e.g., *Hester Indus., Inc. v. Tyson Foods, Inc.*, 16 U.S.P.Q.2d 1275 (N.D.N.Y. 1990). Also, a mark that was initially weak, but has through the holder’s use become strong and distinctive, will most likely not be famous for dilution analysis where it would be considered strong and distinctive for trademark infringement analysis. See, e.g., *Dreyfus Fund, Inc. v. Royal Bank of Canada*, 525 F. Supp 1108 (S.D.N.Y. 1981) (plaintiff transferred symbol of lion, an inherently weak mark, into a strong one but still only able to obtain injunction that resembled plaintiff’s use of a lion on advertising).

<sup>127</sup> “Trademark protection for descriptive marks is extended only in recognition of

could also be used as a factor to determine if a descriptive mark has secondary meaning.

Generally, the analysis of secondary meaning includes analyzing the following factors: (1) the amount and manner of advertising; (2) the volume of sales; and (3) the duration and manner of use.<sup>128</sup> If a trademark holder has spent significant amounts of money advertising,<sup>129</sup> has a sufficient amount of sales and has used the mark for more than a year or two,<sup>130</sup> even a rather descriptive mark may pass for being valid and having secondary meaning if the trademark holder's use has been effective.<sup>131</sup> More specifically, secondary meaning is determined not only by looking at the use of the mark by the holder, but also by determining what impact such use has had in the minds of the consumer.<sup>132</sup> This is typically shown by survey evidence that establishes that when a consumer is confronted with a specific trademark, the consumer identifies it as representing a single source—even though that source may be anonymous—of the good and not the good itself.<sup>133</sup>

To determine if a mark is famous, the drafters of proposed section 43(c) use essentially the same terminology that is used when analyzing whether any particular mark has secondary meaning and is therefore valid. Again, this blurs the distinction between trademark analysis and dilution analysis. Such blurring will cause great confusion in the minds of those attempting to apply the dilution statute and will, ultimately, detract from a consistent, common sense application of the statute.

If there is going to be a federally recognized dilution statute distinct from the trademark cause of action, the same terminology to define and characterize trademark rights should not be used to define

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consumer acceptance and recognition of such marks as denoting only one seller or source." McCARTHY, *supra* note 63, § 11.9, at 453-54. See also *id.* at 455-56 (defining secondary meaning).

<sup>128</sup> See *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 795 (5th Cir. 1988).

<sup>129</sup> McCARTHY, *supra* note 63, § 11.5, at 445.

<sup>130</sup> *Id.* § 11.9, at 454-55.

<sup>131</sup> *Id.*

<sup>132</sup> *Id.* § 11.1, at 434.

<sup>133</sup> See *Inwood Lab., Inc. v. Ives Lab., Inc.* 456 U.S. 844, 851 n.11 (1982) (stating that to establish that a mark has secondary meaning, the holder must show that in the minds of the public the mark signifies a source). See also *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938); *G. & C. Merriam Co. v. Saalfeld*, 198 F. 369, 373 (6th Cir. 1912).

and characterize alleged dilution rights. Doing so blurs the distinction and again facilitates the argument that the dilution statute is practically unnecessary. Even if the same language is not used, different language used only to mask a redundant inquiry will hinder application of any dilution statute.

As envisioned and articulated by the founders of dilution theory, dilution and infringement should be mutually exclusive. Recovery for infringement should preclude recovery for dilution and recovery for dilution should preclude recovery for infringement. However, courts have not interpreted state statutes in this manner and the drafters of proposed section 43(c) have substantially contributed to the problem by choosing terminology that has an established meaning in trademark jurisprudence, but a different meaning for dilution analysis.

#### 5. Proposed Section 43(c) Would Create New Trademark Rights and Therefore Violate the Lanham Act's Stated Objective

The express legislative intent of the Lanham Act was to codify existing common law.<sup>134</sup> The legislative history to the Act clearly indicates that its purpose is not to create new rights but rather to codify existing common law rights.<sup>135</sup> Its objective was to create essentially a registration statute. Therefore, to the extent Congress grants new rights in the Lanham Act, they exceed their own expressed purpose.<sup>136</sup>

A federal dilution statute would have the same effect. Currently, twenty-five states have enacted dilution statutes.<sup>137</sup> Additionally, courts in three states, Ohio,<sup>138</sup> New Jersey<sup>139</sup> and Michigan,<sup>140</sup> have expressly adopted a common law dilution cause of action. Therefore, twenty-two states have not adopted any form of dilution. Indeed, the Nevada Legislature intentionally omitted

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<sup>134</sup> 92 CONG. REC. 7524 (1946).

<sup>135</sup> See Port, *supra* note 28, at 542-43.

<sup>136</sup> *Id.*

<sup>137</sup> See *supra* note 65.

<sup>138</sup> See, e.g., *Ameritech, Inc. v. American Info. Tech. Corp.*, 811 F.2d 960 (6th Cir. 1981).

<sup>139</sup> See, e.g., *Chanel, Inc. v. Casa Flora Co.*, 241 A.2d 24 (N.J. Super. Ct. App. Div. 1967), *cert. denied*, 242 A.2d 381 (N.J. 1968); *Great Atl. & Pac. Tea Co. v. A & P Trucking Corp.*, 149 A.2d 595 (N.J. 1959).

<sup>140</sup> See *O M Scott & Sons Co. v. Surowitz*, 209 F. Supp. 59 (E.D. Mich. 1962).

the dilution section of the Model Act from its trademark statute.<sup>141</sup> If Congress passes proposed section 43(c) into law, new rights will be granted in twenty-two states for trademark holders. These new rights will not be recognized by the common law or the statutory law of that state. For trademark holders in those states, proposed section 43(c) would clearly grant new rights and violate Congress' own statement of legislative purpose behind the Lanham Act.

Because states such as Nevada<sup>142</sup> and Arizona<sup>143</sup> have affirmatively negated a cause of action for dilution, at least in those states, a federal cause of action would not only exceed the scope of state common law, but actually be contrary to it.

State law must yield in light of a contradictory federal statute.<sup>144</sup> There are generally three types of preemption. The first is where Congress preempts state law by express language in a federal statute. For example, § 301 of the Copyright Act prevents states from granting protection in the nature of copyrights and preserves the field for federal regulation.<sup>145</sup> The second type of preemption occurs when federal statutory schemes are so pervasive that they "occup[y] the field" with no room left over for state regulation in the area.<sup>146</sup> The third way state law can be preempted is when the state regulations actually stand as a hinderance to the furthering of some larger federal objective.<sup>147</sup>

Therefore, if Congress enacts proposed section 43(c), few could persuasively argue that it does not have the preemptive power based on the United States Constitution to supersede even contrary state laws. In fact, one court has already found a state dilution statute to be preempted by the Lanham Act. In *United States Jaycees v. Commodities Magazine, Inc.*,<sup>148</sup> the court held that the Iowa dilution statute was preempted because it stood in the way of

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<sup>141</sup> See STATE TRADEMARK AND UNFAIR COMPETITION LAW NV-5 (Miles J. Alexander et al. eds., 1990).

<sup>142</sup> See NEV. REV. STAT. ANN. § 600.350 (Michie 1991).

<sup>143</sup> Arizona courts have also negated a dilution cause of action. See *Lininger v. Desert Lodge*, 160 P.2d 761 (Ariz. 1945).

<sup>144</sup> U.S. CONST. art VI.

<sup>145</sup> 17 U.S.C. § 301(a) (1988); Welkowitz, *supra* note 78, at 8.

<sup>146</sup> *Pacific Gas & Elec. Co. v. State Energy Resources Conservation & Dev. Comm'n*, 461 U.S. 190, 212-13 (1983); Welkowitz, *supra* note 78, at 8.

<sup>147</sup> *California v. ARC Am. Corp.*, 490 U.S. 93, 101 (1989); Welkowitz, *supra* note 78, at 8.

<sup>148</sup> 661 F. Supp. 1360 (N.D. Iowa 1987).

nationwide, standardized trademark protection that was the objective of the Lanham Act. The court found that to the extent Iowa's statute provided additional protection not found in the Lanham Act, the statute was preempted.<sup>149</sup> This argument has been supported by Milton Handler and others.<sup>150</sup>

However, to adopt proposed section 43(c) in an intellectually honest manner, Congress must come to grips with the legislative purpose of the Lanham Act, which was to codify common law and not create new rights. Given the fact that Congress would be expressly overriding the law of at least two states and creating new law in twenty others, this seems internally inconsistent and impracticable.

For example, if trademark infringement had not been a cause of action in at least half of the states in 1946 when the Lanham Act was enacted, Congress would have been creating a substantial new right in those states and making actionable an act that the state legislatures had failed to prohibit or expressly permit. This is precisely what proposed section 43(c) will do. Preemption is acceptable when there is a clear national consensus and an overriding congressional purpose. However, when the congressional purpose is to only codify common law, and not create new rights, but still have a national system of trademark protection, it would be quite an unnatural extension of trademark law to blindly preempt state law in this fashion.

## B. *Theoretical Concerns*

### 1. Trademark Protection Is Justified by Tort, Not Trespass

One of the life-long proponents of dilution is Beverly Pattishall. Pattishall has argued in multiple settings that the law of tres-

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<sup>149</sup> Welkowitz, *supra* note 78, at 8.

<sup>150</sup> See Handler, *supra* note 78, at 269. In addition, several people have commented that the Lanham Act should be read as federalizing the law of unfair competition, preserving it totally for Congress, like patents and copyrights have been preempted by federal statute. See, e.g., Joseph P. Bauer, *A Federal Law of Unfair Competition: What Should Be the Read of Section 43(a) of the Lanham Act?*, 31 UCLA L. REV. 671, 679-81 (1984); Charles Bunn, *The National Law of Unfair Competition*, 62 HARV. L. REV. 987, 998-1001 (1949); Paul Heald, *Unfair Competition and Federal Law: Constitutional Restraints on the Scope of State Law*, 54 U. CHI. L. REV. 1411, 1432-40 (1987); Julius R. Lunsford Jr., *Trade-Marks and Unfair Competition—The Demise of Erie v. Tompkins?*, 40 TRADEMARK REP. 169, 178-83 (1950). Clearly, this does not reflect the current state of the law. Welkowitz, *supra* note 78, at 11 n.47.



pass justifies the protection of trademarks.<sup>151</sup> To Pattishall, trespass is related to the intangible property right in the trademark itself. As I have argued elsewhere,<sup>152</sup> for this to be true, the trademark must actually be “owned.” Because a trademark is incapable of being “owned,” there can be no trespass to an illicit user of a mark, just as an individual cannot sue someone for trespassing on Blackacre if he or she does not own or is not in possession of Blackacre.<sup>153</sup>

In 1952, George Middleton actually provided one of the best-reasoned criticisms of dilution.<sup>154</sup> Middleton’s theory was that granting statutory rights to a trademark holder to enjoin a third party’s dilution of the mark essentially creates a copyright in the trademark.<sup>155</sup> Middleton must have inherently understood the radical nature of Pattishall’s claim, for to grant dilution rights to a trademark holder is the same as giving the trademark holder a monopoly on the mark as used in any context. Middleton expressed this in terms of copyright law—the first to use the mark on any good or service can enjoin any others regardless of the nature of defendant’s use.<sup>156</sup> This, in fact, does sound more like a copyright cause of action, rather than a trademark claim.<sup>157</sup>

Pattishall’s response to this position is that dilution should

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<sup>151</sup> Pattishall, *Dawning Acceptance*, *supra* note 74, at 289; Pattishall, *Dilution Rationale*, *supra* note 74, at 618.

<sup>152</sup> See Port, *supra* note 28, at 562.

<sup>153</sup> See, e.g., *Whitehall Const. Co., Inc. v. Washington Suburban Sanitary Comm’n*, 165 F. Supp. 730, 732 (D.C. 1958); *Kuchenig v. California Co.*, 233 F. Supp. 389, 391 (E.D. La. 1964); *Peterson v. Conlan*, 119 N.W. 367, 369-70 (N.D. 1909).

<sup>154</sup> Middleton, *supra* note 78, at 175.

<sup>155</sup> *Id.* at 178-79.

<sup>156</sup> *Id.* at 180. Middleton explained:

An original, ingenious trade-mark, protected because of those qualities, is a hybrid creature, part trade-mark, part copyright. It is more than a trade-mark because a trade-mark need be neither original nor ingenious; it is less than a copyright because its life-span is not fixed by statute, but is determined by the exigencies of trade. It *may* endure for more than fifty-six years but, on the other hand, it will surely cease upon the midnight with no pain on the demise of the trade it had symbolized. For not even the most ardent Schechterian would contend, I suppose, that a trade-mark, however ingeniously contrived, survives the extinction of the trade that bore it. And does this not point up the underlying fallacy of the whole dilution rationale—the irrationality of the “rationale?”

*Id.*

<sup>157</sup> Copyright protection is available for original works fixed in a tangible form of expression. 17 U.S.C. § 102 (1993).

only apply to fanciful or coined terms that did not exist in the English language prior to their use as a trademark.<sup>158</sup> However, sources of the English language are very broad. Words like aspirin,<sup>159</sup> cellophane,<sup>160</sup> or shredded wheat, etc.<sup>161</sup> did not exist prior to their use as trademarks. Certainly, Pattishall would not argue that someone, presumably a judge, should sit and decide the etymology of every trademark and that decision should govern the outcome of the dilution cause of action.

Pattishall has further argued that those who are opposed to dilution simply are misunderstanding the concept.<sup>162</sup> Pattishall has opined, "[p]erhaps the peculiar holdings of some courts stem from a lack of familiarity with the rather ephemeral 'state of mind' nature of both the likelihood of confusion and dilution concepts."<sup>163</sup>

Although Pattishall has done much for the area of trademarks, he misstates the conceptual background of trademarks in our common law system of justice. His urging to make trademarks subject to property ownership have not been totally ineffective;<sup>164</sup> however, Pattishall's position is contrary to the common law course that trademarks have traversed over the past 200 years both in this country and in our common law ancestor, England.

There is documented evidence that the concept of trademark has been used for over 3500 years to identify the source of a producer's goods.<sup>165</sup> However, judicial acceptance of the affirmative

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<sup>158</sup> Pattishall, *Dilution Rationale*, *supra* note 74, at 625.

<sup>159</sup> *Bayer Co. v. United Drug Co.*, 272 F. 505, 514 (S.D.N.Y. 1921) (holding that the term "aspirin," once a trademark, had become the generic term for salicylic acid).

<sup>160</sup> *Dupont Cellophane Co. v. Waxed Prods. Co.*, 85 F.2d 75, 80-81 (2d Cir. 1936) (holding that the mark "cellophane," once a trademark for plastic wrap, had become generic).

<sup>161</sup> *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 116 (1938) (holding that the term "shredded wheat" had become generic). *See also* *Wedgwood Homes, Inc. v. Lund*, 659 P.2d 377, 379 n.4 (Or. 1982) (noting that other examples of terms that have become generic include: yo-yo, jujubes and thermos).

<sup>162</sup> Pattishall, *Dilution Rationale*, *supra* note 74, at 625.

<sup>163</sup> *Id.*

<sup>164</sup> *See, e.g., Wyman Nelson Enters. v. Steak-n-Shake, Inc.*, 325 F. Supp. 976, 977 (D. Minn. 1971) (citing Beverly Pattishall, *Trademarks and the Monopoly Phobia*, 50 MICH. L. REV. 967, 985-86 (1952)).

<sup>165</sup> *See generally* Gerald Ruston, *On the Origin of Trademarks*, 45 TRADEMARK REP. 127 (1955); Benjamin G. Paster, *Trademarks—Their Early History*, 59 TRADEMARK REP. 551 (1969); Abraham S. Greenberg, *The Ancient Lineage of Trade-Marks*, 33 J.P.O.S. 876 (1951); Edward S. Rogers, *Some Historical Matter Concerning Trade-Marks*, 9 MICH. L. REV. 29 (1910); EDWARD S. ROGERS, *GOOD WILL, TRADE-MARKS AND UNFAIR TRADING*

right of trademark started sometime before 1618 in England, when a cause of action was found against a clothmaker when he copied the plaintiff's mark and placed it on his substandard goods.<sup>166</sup>

Trademark law developed from unfair competition; unfair competition developed from the tort of fraud and deceit.<sup>167</sup> English courts first used the term unfair competition in 1803, using the words "passing off" or "palming off."<sup>168</sup> The justification of this tort was that one should not pass off one's goods as those of another and thereby profit from the deception.<sup>169</sup>

The confusion regarding whether trademark sounds in tort or in trespass stems from the old English rule in equity that an injunction would not issue unless a property right was at stake.<sup>170</sup> However, in 1838, the court in *Millington v. Fox*<sup>171</sup> granted an injunction in equity for trademark infringement and held that proof of defendant's intent to defraud and knowledge of plaintiff's rights in and to the mark were not necessary for the plaintiff to prevail. Based upon this case, many, including Pattishall<sup>172</sup> and Callmann,<sup>173</sup> have come to the erroneous conclusion that a trademark was subject to property ownership and that infringement con-

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34, 34-39 (1919); WILLIAM HENRY BROWNE, A TREATISE ON THE LAW OF TRADE-MARKS 1-14 (rev. 2d ed. 1885). Browne traces the use of proprietary marks and trademarks back several millennia to China, India, Persia, Egypt, Rome and Greece, among other cultures, as well as citing marks used during the time of the Old Testament. *Id.* at 8-10 (noting that the blocks of stone used to build the temple of Solomon bore quarry marks so the "mechanics" could "prov[e] their claims to wages" and that Abraham paid for the cave in which he buried Sarah with coins bearing a mark of authentication). "Seals and other emblems of ownership were coeval with the birth of traffic." *Id.* at 2. "Such emblems had their origin in a general ignorance of reading the combinations of cabalistic characters that we call writing." *Id.* at 3. He discusses proprietary marks such as seals, sign-boards, watermarks, quarry and pottery marks, currency, identifying marks on merchandise in general and books. *Id.* at 3-14. See also GILSON, *supra* note 76, § 1.01[1].

<sup>166</sup> *Southern v. How*, Popham 144, 79 Eng. Rep. 1243, 1244, Trinity Term 15, Jac 1 (1618). I say "sometime prior to 1618" because the reference to the successful use of trademark is referred to in *Southern v. How* of that year, but the reference is actually to a prior, unreported or lost case.

<sup>167</sup> MCCARTHY, *supra* note 75, § 5.02, at 5-4.

<sup>168</sup> *Hogg v. Kirby*, 32 Eng. Rep. 336 (1803).

<sup>169</sup> MCCARTHY, *supra* note 75, § 5.02, at 5-3, 5-4.

<sup>170</sup> See FRANK I. SCHECHTER, THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADEMARKS 150-52 (1925).

<sup>171</sup> 3 Myl. & Cr. 338, 352 (1838).

<sup>172</sup> Pattishall, *Dawning Acceptance*, *supra* note 74, at 309.

<sup>173</sup> CALLMANN, *supra* note 77, § 21.12.

stituted a trespass, not a tort.<sup>174</sup>

Not only has the ancient notion that specific legal rules can be deduced from general principles been largely discredited and discarded,<sup>175</sup> but the momentary fixation that American courts had on claiming trademark as property has also rightfully passed. Today, when courts refer to trademarks as property, they are referring to the limited right of exclusion that constitutes the trademark right. Undoubtedly, this right of exclusion is a property right because it exhibits all normal incidents of ownership.<sup>176</sup> However, no courts have recognized property rights to the mark itself.<sup>177</sup> Rather, the United States Supreme Court has stated as follows:

The law of unfair competition has its roots in the common-law tort of deceit: its general concern is with protecting *consumers* from confusion as to source. While that concern may result in the creation of "quasi-property rights" in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation.<sup>178</sup>

Thus, trademark protection is justified as a tort intended to prevent the consumer from being deceived, not a trespass on the trademark itself.

In fact, the quotation above is not a novel nor unique expression of the common law of trademarks. The Supreme Court has continu-

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<sup>174</sup> Daniel M. McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADEMARK REP. 305, 313 (1979). Given this, the more interesting question is why do commentators of the stature of Pattishall or Callmann take this position? It appears that the pro-property people are attempting, in good faith, to advance the status of trademark jurisprudence. It is unfortunate in our system that if one does not have a property interest in the matter at issue, it is somehow less significant than if one does. In the unavoidable line-drawing that must go on in the law, property status of a trademark would definitely give a mark a greater standing in our system. However, if this is going to be the choice made, it ought to be a well-reasoned and thoroughly discussed issue, not a superficial attempt at protecting Kodak and Rolls-Royce—two trademarks that need the least help of any.

<sup>175</sup> *Id.* at 342.

<sup>176</sup> A.M. Honore, *Ownership*, in OXFORD ESSAYS IN JURISPRUDENCE, at 8-9 (A.G. Guest ed., 1961); Port *supra* note 28, at notes 192-95 and accompanying text.

<sup>177</sup> However, this fact has not deterred Rudolph Callmann from claiming that the Lanham Act "gives this property right a legislative standing it had not had before by declaring trademarks incontestable . . . . This development should effectively put to rest all arguments advanced by opponents of the property right theory." Callmann, *Unfair Competition Without Competition?*, *supra* note 77, at 467.

<sup>178</sup> *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989) (holding that federal patent act preempts all state patent laws).

ously held that the trademark right is “not in gross”<sup>179</sup> and not a copyright or a patent, but that any rights to trademarks are appurtenant to the related business. The purpose is to exclude others from confusing usages, not to grant a monopoly in the mark in gross.

A federal dilution statute would distort these common law tort origins of trademark beyond recognition. Because dilution expands the scope of protection of a trademark beyond the parameters set by the holders’ actual use, dilution theory treats the trademark as if the mark itself were subject to single party property ownership. A federal dilution statute would adopt Pattishall’s notion that trademarks sound in trespass, not in tort. If Congress is prepared to adopt Pattishall’s theory, they must be willing to practically extend monopoly rights of specific words to an individual even though that individual has no intention of using those terms on the alleged diluter’s goods. This is nothing more than granting the trademark holder the “negative and merely prohibitive use of [the mark] as a monopoly,”<sup>180</sup> which the Supreme Court has clearly and continuously prohibited.

Even this radical, pro-property perspective of trademarks does not conceptually ease the application of dilution doctrine on the federal level. Even if we accept, for the sake of argument, the notion that trademark holders “own” the underlying mark itself and that acts that may be interpreted as diluting that mark constitute a trespass upon a property right of the trademark holder, proposed section 43(c) is not easily applied on a national basis. As stated above, only twenty-eight states recognize any form of trademark dilution.<sup>181</sup> If the dilution of a mark constitutes a trespass on the property right of trademark “owners” in those jurisdictions with dilution statutes, then in the states without a dilution statute, it must be a property right for third parties to use a mark in any manner that does not infringe upon the established prior rights of another trademark owner. In fact, the Supreme Court seems to have at least analogously accepted the *use* of intellectual property as a property right itself when specifically conferred upon individuals by state law.<sup>182</sup>

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<sup>179</sup> *Prestonettes, Inc. v. Coty*, 264 U.S. 359, 360 (1924); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413-15 (1916).

<sup>180</sup> See *Prestonettes*, 264 U.S. at 360.

<sup>181</sup> See *supra* notes 65-66 and accompanying text.

<sup>182</sup> See, e.g., *United States v. General Motors Corp.*, 323 U.S. 373, 377-78 (1945); *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1005 (1983).

Therefore, in states where dilution has been determined by state common law or by legislative history to not be actionable, it must analogously constitute a protectable property right for a third party to use its mark in a manner that may dilute another's mark provided that such use does not actually infringe upon that prior user's mark. For example, in Nevada, dilution is not actionable. If party A uses Kodak on automobile tires, it would not be actionable dilution in that jurisdiction. Party A might use Kodak on tires for many years establishing some value and recognition to it as the source of Kodak tires. If proposed section 43(c) is implemented and the use of a trademark constitutes property, then the enactment of the federal dilution statute should constitute a taking<sup>183</sup> for which the "owner" of Kodak for use on tires in Nevada deserves just compensation from the government.

The United States Supreme Court in *Ruckelshaus v. Monsanto Co.*,<sup>184</sup> held that intellectual property in the form of trade secrets could be subject to unconstitutional takings based on the Fifth Amendment, like more tangible forms of property.<sup>185</sup> The Court also held that the term "property" for purposes of the Takings Clause includes the right to "use" a physical thing.<sup>186</sup> Although the takings analysis is an ad hoc, factual inquiry,<sup>187</sup> three basic elements are reviewed when determining if a compensable taking has occurred.<sup>188</sup> These elements include analyzing the character of the governmental action, the economic impact of the regulation and the interference the regulation has with reasonable investment-backed expectations.<sup>189</sup>

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<sup>183</sup> The Takings Clause of the Fifth Amendment reads as follows: "nor shall private property be taken for public use, without just compensation." U.S. CONST. amend. V.

<sup>184</sup> 467 U.S. 986 (1983). See also David G. Oberdick, *The Taking of Trade Secrets: What Constitutes Just Compensation?*, 48 U. PITT. L. REV. 247 (1986). But see Pamela Samuelson, *Information as Property: Do Ruckelshaus and Carpenter Signal a Changing Direction in Intellectual Property Law?*, 38 CATH. U. L. REV. 365, 395 (1989) (noting that the modern rule holds that trade secrets are not property).

<sup>185</sup> 467 U.S. at 1003 (stating that the Court has found various forms of intangible interests to be property for the purposes of the Fifth Amendment's Takings Clause).

<sup>186</sup> *United States v. General Motors Corp.*, 323 U.S. 373, 377-78 (1945).

<sup>187</sup> *Kaiser Aetna v. United States*, 444 U.S. 164, 175 (1979); *Penn Cent. Transp. Co. v. New York City*, 438 U.S. 104, 124 (1978) (stating that "this Court, quite simply, has been unable to develop any 'set formula' for determining when 'justice and fairness' require that economic injuries caused by public action be compensated by the government . . .").

<sup>188</sup> See, e.g., *First English Evangelical Lutheran Church of Glendale v. Los Angeles*, 482 U.S. 304 (1987).

<sup>189</sup> *Ruckelshaus*, 467 U.S. at 1005; *PruneYard Shopping Ctr. v. Robins*, 447 U.S. 74, 83 (1980); *Kaiser Aetna*, 444 U.S. at 175; *Penn Central*, 438 U.S. at 124.

The first aspect of this inquiry would be to determine if proposed section 43(c) would constitute a "public use" that substantially advanced legitimate state interests.<sup>190</sup> Because a federal dilution statute would confer additional rights on individual trademark "owners" and not on the public itself, this element, at least at first blush, seems difficult to satisfy.<sup>191</sup> However, the definition of "public use" is defined so expansively that if the use is beneficial or advantageous to the public it would still constitute a "public use."<sup>192</sup> Because the purpose of the Lanham Act is to provide a national system of trademark registration, which is justified only if it, in fact, does benefit the public in some manner, this element of the takings analysis could easily be satisfied.<sup>193</sup>

The remaining analysis really addresses whether the regulation "goes 'too far' in its economic impact upon the party challenging it."<sup>194</sup> In this hypothetical, if proposed section 43(c) were enacted, Party A would not only be out of business in the near future, but all of its investments based upon a reliance on state law would also be destroyed. Therefore, the economic impact upon Party A would be extreme. Such a regulation would clearly "totally eliminate[ ] the property's economic value or 'viability' to its nominal owner."<sup>195</sup>

Therefore, as in *Ruckelshaus*,<sup>196</sup> the focus in the above hypothetical should be directed to the reasonable investment-backed expecta-

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<sup>190</sup> *Keystone Bituminous Coal Ass'n v. DeBenedictis*, 480 U.S. 470, 485 (1987); *Nolan v. California Coastal Comm'n*, 483 U.S. 825, 831-32 (1987); *Penn Central*, 438 U.S. at 127.

<sup>191</sup> See, e.g., Daniel A. Saunders, *Copyright Law's Broken Rear Window: An Appraisal of Damage and Estimate of Repair*, 80 CAL. L. REV. 179, 227 (1992) (regarding analysis of proposed amendment to the Copyright Act defining colorization of film to be derivative works owned by the original copyright holder). But see Craig A. Wagner, *Motion Picture Colorization, Authenticity, and the Elusive Moral Right*, 64 N.Y.U. L. REV. 628, 722-24 (1989) (stating that amending the Copyright Act to provide original copyright holders with the ability to control the colorization of films would not violate the Takings Clause).

<sup>192</sup> Saunders, *supra* note 191, at 227 n.278.

<sup>193</sup> But see Thomas W. Merrill, *The Economics of Public Use*, 72 CORNELL L. REV. 61, 96 (1986) ("The principal exceptions [to eminent domain] may be intellectual property rights such as patents and copyrights. But even here devices—for example, compulsory licensing decrees, themselves a kind of liability rule—may obviate the need for eminent domain.").

<sup>194</sup> Lawrence A. Beyer, *Intentionalism, Art, and the Suppression of Innovation: Film Colorization and the Philosophy of Moral Rights*, 82 NW. U. L. REV. 1011, 1076 (1988). See also *Pennsylvania Coal Co. v. Mahon*, 260 U.S. 393, 415 (1933).

<sup>195</sup> Frank Michelman, *Takings*, 1987, 88 COLUM. L. REV. 1600, 1622 (1988).

<sup>196</sup> *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1005 (1983).

tions of the trademark user in Nevada. Because there is express legislative history in Nevada that indicates the Legislature purposely omitted the dilution cause of action,<sup>197</sup> it would be reasonable for someone to rely on the non-actionability of certain conduct and invest in the use of a trademark in a non-confusing manner.

Subsequently, if Congress acts contrary to its own legislative intentions by creating new trademark rights,<sup>198</sup> the economic impact of an injunction against party A (user of Kodak on tires in Nevada) would be devastating. Due to the interference with the user's very reasonable expectation that he would be left alone, it appears that a compensable taking would have occurred.<sup>199</sup> Because proposed section 43(c) would create at least potential concerns regarding the Takings Clause, even the radical pro-property perspective advocated, either explicitly or implicitly, by the dilution proponents would not be easily implemented on a national scale.

## 2. Trademark Dilution Is Supported by Out-Dated Natural Rights Concepts

The out-dated concept of natural rights does seem to support the dilution proponents' expansive objective of a federal dilution statute. It appears that the proponents of dilution theory, either explicitly or implicitly, accept the natural law theory of copyrights as described by Alfred C. Yen<sup>200</sup> and apply it to trademarks to jus-

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<sup>197</sup> See *supra* note 141 and accompanying text.

<sup>198</sup> By granting new dilution rights to trademark holders, Congress would create rights not recognized at the common law. However, the purpose of the Lanham Act was to codify existing rights, not create new ones. See *supra* notes 134-35 and accompanying text.

<sup>199</sup> For purposes of this hypothetical, I intentionally ignore other possible remedies that Kodak may have against a user of Kodak in Nevada on tires. I do so to illustrate this point. That Kodak may have other avenues of redress in Nevada and that no such user has ever existed nor is likely to exist is further evidence in my mind that a federal dilution statute is unnecessary.

<sup>200</sup> Alfred C. Yen, *Restoring the Natural Rights Law: Copyright as Labor and Possession*, 51 OHIO ST. L.J. 517 (1990). Although Yen uses the natural law theories to "restore" the natural rights justification for recognizing copyright protection, it is actually not well received. In fact, the United States Supreme Court in *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, pretty much signed the death warrant to this justification when it held that sweat of the brow or labor alone was no justification for copyright protection. 499 U.S. 340 (1991). See Robert H. Rotsein, *Beyond Metaphor: Copyright Infringement and the Fiction of the Work*, 68 CHI.-KENT L. REV. 725, 791 (1993); Brian R. Landy, *The Two Strands of the Fair Use Web: A Theory for Resolving the Dilemma of Music Parody*, 54 OHIO ST. L.J. 227, 243 (1993) (noting that American copyright law does not recognize



tify dilution theory.

The concept of “natural rights” originated with the Romans.<sup>201</sup> According to the Romans, the principle manner of acquiring property rights in objects was occupancy.<sup>202</sup> The first person to possess an object was said to have a natural right to own that object, providing it was not owned by someone else and was actually capable of ownership.<sup>203</sup> The Romans defined things such as air, water, the sea, etc. as common to all and not subject to ownership by any single entity.<sup>204</sup>

Therefore, the first person to physically possess a wild animal, for example, was said to own the wild animal provided that possession was continuous. However, because of the doctrine of *ferae naturae*, wild animals are considered to be inherently free, and once a wild animal escaped, it subsequently belonged only to the next person to physically possess it.<sup>205</sup>

This approach to natural rights, as applied to intellectual property, would render even ideas themselves physically owned and, therefore, subject those ideas to property ownership by the first individual to conceive of them. The title granted would have to be in the idea itself, however manifested or not manifested, because the inventor/author was the first to conceive of the idea and, therefore, the first to possess it.

Although they may not recognize it, the proponents of dilution theory implicitly embrace this justification for property ownership in trademarks. Even though trademarks traditionally act like wild animals under Roman law—free for all to use except to the extent others have actually “captured” them and used them on products—the promoters of dilution must believe that the first to

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the natural right to own the product of one’s labor). But see Wendy J. Gordon, *A Property Right in Self-Expression: Equality and Individualism in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533, 1607 (1993) (stating that “[i]t remains to be seen whether the Supreme Court will be successful in its recent effort to oust free-floating labor theory from the jurisprudence of copyright.”).

<sup>201</sup> See generally W.W. BUCKLAND, *A TEXT-BOOK OF ROMAN LAW FROM AUGUSTUS TO JUSTINIAN* (1990); RUDOLPH SOHM, *THE INSTITUTES: A TEXTBOOK OF THE HISTORY AND SYSTEM OF ROMAN PRIVATE LAW* (1970); H.F. JOLOWICZ, *HISTORICAL INTRODUCTION TO THE STUDY OF ROMAN LAW* (1952).

<sup>202</sup> Yen, *supra* note 200, at 522.

<sup>203</sup> *Id.*

<sup>204</sup> *Id.*

<sup>205</sup> *Id.* at 522-23.

occupy a famous or super trademark obtains property ownership to that mark as against all others.

However, the fundamental flaw in this reasoning, as stated above, is that the mark itself is not subject to ownership, much like the wind, sea and air under Roman natural law. The better analogy to Roman law would be to the Roman doctrine of *res communes*.<sup>206</sup> The Romans believed that air was not subject to any one person's exclusive ownership, except that each had the right to use air to breath.<sup>207</sup> This would be the better natural law explanation of trademarks—that is, everyone has the right to use a trademark to the extent no one has used it before and only to the extent of his use. This is similar to *res communes* in that anyone has the right to breath air subject only to everyone else's equal right to breath it. Trademarks are similarly available to all, subject only to the rights of prior users. Subsequent users can use the marks provided they do so in a non-confusing manner.

Dilution proponents appear to distort this natural law explanation for intellectual property by classifying trademarks as intellectual property subject to ownership on the same first-to-occupy basis as the Romans justified ownership of physical objects. Although the property model justifies much of the protection in intellectual property,<sup>208</sup> it does not justify granting monopoly ownership to the underlying mark when the common law has been extremely reticent to that notion.

### 3. Locke<sup>209</sup>

Although criticized,<sup>210</sup> Locke's theory on property has also been used to justify recognizing rights in intellectual property.<sup>211</sup> At its most fundamental level, Locke's labor theory<sup>212</sup> can be sum-

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<sup>206</sup> *Id.* at 522.

<sup>207</sup> *Id.*

<sup>208</sup> See *Symposium on Intellectual Property Law Theory*, 68 CHI.-KENT L. REV. 581 (1993).

<sup>209</sup> An exhaustive presentation of Locke's justification for recognizing property is beyond the scope of this article. The following background is presented as general information to enable the reader to recognize how this justification is quietly at work in the minds of dilution proponents.

<sup>210</sup> Gordon, *supra* note 200; Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149, 156 (1992).

<sup>211</sup> Justin Hughes, *The Philosophy of Intellectual Property*, 77 GEO. L.J. 287 (1988).

<sup>212</sup> See JOHN LOCKE, *TWO TREATISES OF GOVERNMENT* (Peter Laslett ed., 3d ed. 1988).

marized in Wendy Gordon's terms of "reap/sow."<sup>213</sup> Only those who have sown an idea can reap the rewards of the idea. Traditionally, however, Locke's theory is characterized in much more intuitively convincing terms.

According to Locke's theory, recognizing property rights, is not justified by an empty reap/sow rhetoric, nor on the basis of merely the first to occupy (by thinking of) an idea.<sup>214</sup> Rather, according to Locke, all things are a grant from God and held in common by all people.<sup>215</sup> However, in this stage they are not useful to anyone. Therefore, an individual exerts labor upon the object and transforms it into something useful and worthy of property ownership. Because the individual exerted labor upon the thing, he or she should own it because without his or her labor, no one would be able to benefit from it.<sup>216</sup>

This is more involved than simply planting a seed (Gordon's sowing) and after a period of time monopolizing the fruits (Gordon's reaping). The enticing part of Locke's theory is not merely a reap/sow logic where the object upon which work is extended is only meaningful to one. Rather, the normative aspect of Locke's theory is that property should be granted to the one who exerted labor upon the thing and to reward that person, thereby encouraging work and disclosure so that all can put the idea to use.

This theory is most often used to justify granting patent rights to an inventor. This is better known as the bargain theory or the reward theory.<sup>217</sup> The theory is that if rights to an invention are not granted, people would cease to invent (or at least not invent as much) and more importantly, they would cease to disclose because to disclose would be to lose control of the invention. Therefore, without this reward, society would suffer and the "progress of the sciences and useful arts,"<sup>218</sup> the constitutional purpose of the patent and copyright statutes, would not be realized.

However, this Lockean-based reward theory does not justify di-

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<sup>213</sup> Gordon, *supra* note 210.

<sup>214</sup> See *supra* notes 203-05 and accompanying text.

<sup>215</sup> See LOCKE, *supra* note 212, § 25, at 286.

<sup>216</sup> See Hughes, *supra* note 211, at 297.

<sup>217</sup> See, e.g., A. Samuel Oddi, *Beyond Obviousness: Invention Protection in the Twenty-First Century*, 38 AM. U. L. REV. 1097, 1104-05 (1989); Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON. 265, 266 (1977).

<sup>218</sup> U.S. CONST. art. 1, § 8, cl. 8.

lution protection for trademarks. It is enticing because it does make intuitive sense; the trademark would be useless as an indicator of source, quality and identification, if it had not been for the labor of the holder of the mark in the form of adopting and using the mark on the holder's goods or services.<sup>219</sup> Therefore, to the extent one extends labor to lower the transaction costs for all, he or she should be rewarded and encouraged with expansive trademark rights.

The two main benefits to society by protecting trademarks are the provisions of accurate information and less expensive products. Consumers benefit by not being deceived as to the source of a good or service. Consumers also financially benefit because manufacturers can charge less for their products if manufacturers can use one, well-recognized trademark, rather than re-educating the consumer every time the consumer goes shopping for a product, such as Tide.<sup>220</sup> Therefore, to provide some incentives to manufacturers to create trademarks does not appear to be a normatively negative concept.<sup>221</sup>

However, the same bargain concept does not support dilution theory. In fact, because the trademark holder has not exerted any work on the mark as used on unrelated goods or services, it is unfair to create a monopoly in the mark and extend it beyond the holder's actual or intended use. For example, Hyatt Hotels has not exerted any work on the use of the mark HYATT as used on legal services.<sup>222</sup> Because no work has been exerted by Hyatt Hotels, granting it an injunction to prevent the use of the term HYATT on legal services far exceeds the Locke justification for property.

The Supreme Court has also recently rejected the incentive theory for trademarks. In *Bonito Boats v. Thunder Craft Boats, Inc.*,<sup>223</sup> the Court stated:

The law of unfair competition has its roots in the common-law tort of deceit: its general concern is with protecting consumers

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<sup>219</sup> From the law and economics perspective, if this labor results in an ability to lower transaction costs, it should be facilitated by trademark protection. See generally Landes & Posner, *supra* note 105.

<sup>220</sup> George Stigler, *The Economics of Information*, 69 J. POL. ECON. 213 (1961).

<sup>221</sup> See *supra* notes 214-15 and accompanying text.

<sup>222</sup> See *Hyatt Corp. v. Hyatt Legal Servs.*, 736 F.2d 1153 (7th Cir. 1984), *cert. denied*, 469 U.S. 1019 (1984).

<sup>223</sup> 489 U.S. 141 (1989) (holding that federal patent laws preempt state "plug-molding" statutes).

from confusion as to source. While that concern may result in the creation of 'quasi-property rights' in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation.<sup>224</sup>

#### 4. Hegel<sup>225</sup>

The Hegelian concept of property as a unique mechanism for self-actualization and recognition of an individual person<sup>226</sup> is also used by some to justify granting rights in intellectual property.<sup>227</sup> However, the so-called Hegelian justification does not satisfactorily explain granting dilution protection rights to trademark holders.

According to Hegel, property is the vehicle by which the supreme human will actualizes its personality. Only when human will is translated to an external sphere from the self does it exist.<sup>228</sup> The "[p]ersonality is the first, still wholly abstract, determination of the absolute and infinite will . . . ."<sup>229</sup>

Much of Hegel's concept of property furthers Locke's labor theory—the first to occupy an object or exert labor upon it should own it. Hegel, however, saw possession as merely the first step. Hegel saw three ways in which the will may occupy an object: by physically taking control of it; by imposing a form upon it; and by marking it.<sup>230</sup>

To Hegel, mere initial possession is not sufficient to retain property rights in an object in perpetuity. Rather, the will's right to occupy an object is maintained as long as the will manifests itself in the object by using it or otherwise marking it as its own. Although Hegel does not require actual use to satisfy the requirement that the will manifest itself in the object, some objective indi-

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<sup>224</sup> *Id.* at 157. See also *Crescent Tool Co. v. Kilborn & Bishop Co.*, 247 F. 299, 300 (2d Cir. 1917) (holding that a plaintiff may not monopolize a trademark).

<sup>225</sup> An exhaustive presentation of Hegel's justification of property is beyond the scope of this article. The following general background is presented to enable the reader to see other philosophical justifications that may be used in attempting to justify a federal dilution statute.

<sup>226</sup> GEORGE W.F. HEGEL, *HEGEL'S PHILOSOPHY OF RIGHT* ¶ 45 (T.M. Knox trans., 1978) (stating that the individual demonstrates ownership of property by imposing his will upon it and thereby occupying it).

<sup>227</sup> See, e.g., Hughes, *supra* note 211, at 330.

<sup>228</sup> *Id.* at 331.

<sup>229</sup> HEGEL, *supra* note 226, ¶ 41.

<sup>230</sup> *Id.* ¶ 54.

cation of the will's interest in the object is required.<sup>231</sup>

This personality justification for property is considered open-ended.<sup>232</sup> According to Hegel, as long as the will is objectively marking an object as its own and not abandoning it, it continues to manifest itself in the object and therefore is property of the individual.<sup>233</sup>

Hegel seems to have been perplexed at the justification of protection of intellectual property. Because intellectual property for Hegel was in the form of "mental aptitudes, erudition, artistic skill, inventions and so forth,"<sup>234</sup> and because its true nature was "inward and mental," he hesitated to call these things property. Rather, Hegel focused on justification of what is referred to today as the "first sale doctrine"<sup>235</sup> in copyrights, which means that authors may alienate titles to specific works but retain all rights to make copies of the work or derive other works from it.<sup>236</sup>

Hegel's solution to this problem is to call the act of copying the work one of the "universal ways and means of expression" that belongs to the author.<sup>237</sup> Therefore, the buyer purchases the work for the sole purpose of incorporating the ideas embodied in the work into himself. The author sells the work for that purpose only. In this way, Hegel justifies protection of intellectual property as an expression of the self and the self as manifested in the object. As long as the will is manifested in the object, the author could claim it as his.

The Hegelian justification for trademarks is even more attenu-

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<sup>231</sup> See Hughes, *supra* note 211, at 334-35.

<sup>232</sup> *Id.* (citing Margaret Radin, *Property and Personhood*, 34 STAN. L. REV. 957, 987 (1982)).

<sup>233</sup> Hegel recognized that the extreme subjectivity of this expression is unhealthy. *Id.* at 335.

<sup>234</sup> *Id.* at 337.

<sup>235</sup> In copyright jurisprudence, the first sale doctrine is the notion that unless expressly provided to the contrary by contract, when someone purchases a work, they do not purchase the underlying title in the copyright to the work. That is, the copyright title and the work title are severable. See 17 U.S.C. § 109 (1993). See also H.R. REP. NO. 94-1476, 94th Cong., 2d Sess. 79 (1976) ("This does not mean that conditions on future disposition of copies or phonorecords, imposed by a contract between their buyer and seller, would be unenforceable between the parties as a breach of contract, but it does mean that they could not be enforced by an action for infringement of copyright.").

<sup>236</sup> See Hughes, *supra* note 211, at 338.

<sup>237</sup> HEGEL, *supra* note 226, ¶ 69.

ated. One commentator, Justin Hughes, states that because the trademark right is a right of expression for the manufacturer, not a right of the consumer to receive information, trademarks fulfill the recognition aspect of Hegel's personality theory of property because they provide the means of securing respect and recognition to the first person who appropriates and uses the mark.<sup>238</sup>

Nevertheless, a Hegelian-type justification for dilution is not appealing. The Hegelian justification for dilution would require that the first-user have the right to continue occupying the mark even though that may have negative implications for others. To Hegel, recognition of any property may have negative implications on the subjective will of others. Therefore, granting dilution rights to a trademark holder is in line with the greater subjectivity problem found in all of property law.

However, neither Hegel's justification of property nor Hughes' explanation of Hegel's justification for trademarks satisfactorily supports recognition of dilution rights in a trademark holder.

There are three competing objectives of trademark law, not one as Hughes says. The first is to protect the goodwill of the trademark holder. The second is to protect the consumer from confusion. The third is to protect the innocent defendant, as well as uninvolved third parties. To grant dilution rights presupposes that the goodwill of the trademark holder is analogous to the supreme will of Hegel's individual to which all else is subservient.

This has not been the case in trademark jurisprudence. Any rational justification must include and balance all three legitimate elements equally. Dilution theory subjugates the interests of the third party to those of the trademark holder. Hegel's personality justification of continued occupation of an object analogously justifies recognition of a trademark holder's right to exclude others from confusing usage; however, it does not justify excluding non-confusing uses.

The will of the third party should not be subservient to the will of the trademark holder. All should be treated equally. Therefore,

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<sup>238</sup> See Hughes, *supra* note 211, at 354. As many of the intellectual property commentators contend, Hughes chooses one of the three goals of protecting intellectual property and gives it undue weight vis-a-vis the other two. Of course, the Supreme Court in *Bonito Boats* sharply disagrees with Hughes' analysis on this point. See *Bonito Boats v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989).

party B has just as much right to occupy a trademark and exclude others from using it on legal services as party A had in adopting it and using it on hotels. To say that the subjective will of party A in this scenario should be recognized to any extent it deems necessary subjugates the will of all subsequent third parties far beyond what is justifiable under "the unseen hand of the personality justification."<sup>239</sup>

Party A may continue to manifest its will to occupy the trademark HYATT for use on hotels, but that subjective will cannot possibly manifest itself so that Joel Hyatt knows not to adopt the same mark for use on legal services. Hyatt Hotels may continue to occupy HYATT, but how can it physically or otherwise occupy HYATT for legal services when it has never used nor intends to use the mark in such a manner. The "control" Hegel speaks of could only be satisfied with a statutory grant of a monopoly in the trademark in the form of a dilution statute. To do so would be to create a "queer branch[ ] of our jurisprudence" that only exists because of "an exception depending upon statute."<sup>240</sup>

## 5. Gordon

A more contemporary theorist, Wendy J. Gordon, has posited what she presents as one justification for recognizing intellectual property rights. Gordon calls her model "Malcompetitive Copying."<sup>241</sup> Under the Gordon model, recovery for infringement of an intangible is limited as follows: (1) defendant must knowingly copy an eligible intangible; (2) such copying must cause asymmetrical market failure; (3) such copying must take sales specifically "from plaintiff's actual or expected market;" and (4) defendant's use must be more valuable than plaintiff's over the long run.<sup>242</sup>

Gordon defines an eligible intangible as a product that is: (1) deliberately created or produced in excess of any "legal duty and with an expectation of either reward or control;" (2) clearly gives notice to third parties that it is owned as such; and (3) "otherwise

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<sup>239</sup> Hughes, *supra* note 211, at 353.

<sup>240</sup> Kenneth B. Umbreit, *A Consideration of Copyright*, 87 U. PA. L. REV. 932 (1939).

<sup>241</sup> Gordon, *supra* note 210, at 222. Although it is clear from the text that Gordon intends her model to apply to copyrights, my application of her model to dilution is intended to make the point that none of the current or past models justifying intellectual property protection justifies dilution.

<sup>242</sup> *Id.* at 222-23.



suitable for trading in a market context where the seller's leverage is provided by a judicially imposed duty."<sup>243</sup>

If these elements are satisfied (except for the final element), Gordon claims that traditional restitutionary notions justify recovery for the plaintiff. If the elements are not satisfied, recovery for the infringement of an intellectual property right should not be compensable. Gordon's model, however, does not provide any justification for recognizing trademark dilution rights.

To specifically test Gordon's model as a justification for dilution, consider *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, where dilution recovery was denied.<sup>244</sup> Analyzing *Mead Data* using Gordon's model for recognizing restitutionary impulses in intellectual property discloses other theoretical weaknesses in dilution rationale.

In 1988, Mead Data filed suit against Toyota Motors to attempt to enjoin Toyota's use of LEXUS on luxury automobiles.<sup>245</sup> Mead Data's mark, LEXIS, probably would constitute an "eligible intangible" under Gordon's model. LEXIS was deliberately created by Mead Data in excess of any legal duty to do so. Mead Data was not required to use or adopt any trademark, let alone this specific one. In fact, many manufacturers that do adopt and use trademarks do so with either an expectation of reward or control of the mark. Therefore, a reasonable conclusion is that Mead Data adopted the mark LEXIS with the expectation of reward in the form of consumer recognition, enhanced sales and an assurance marker for consumers regarding quality.

Mead Data's expectation of control of the mark LEXIS is, however, rather precarious. Most manufacturers that adopt a trademark believe that it is a monopoly on use of the word. Only sophisticated manufacturers with experience in trademarks realize the common law significance of the rule that protection is controlled by prior appropriation and use and only to the extent the mark is used. That is, under common law, Mead Data's control of the mark would exclude others from use only to the extent that

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<sup>243</sup> *Id.* at 223.

<sup>244</sup> *Mead Data Cent., Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2d Cir. 1989).

<sup>245</sup> *Id.*

consumers are likely to be confused as to the source of the goods or services.

Whether Mead Data expected control really seems irrelevant. Many people expect things from the law; however, an expectation of the law has never been a factor nullifying the existence of contrary precedent. Therefore, whether Mead Data expected control seems irrelevant to the inquiry. Clearly, Mead Data, or any trademark holder, adopts a mark for purposes of reward and, therefore, this should satisfy Gordon's definition of an eligible intangible. Furthermore, LEXIS can easily be demarcated as "owned"<sup>246</sup> by the trademark holder by using the symbol R or TM as appropriate.

Although LEXIS may constitute an eligible intangible under Gordon's model, one is not likely to prevail in a dilution cause of action under her regime. First, it is a circular and open issue whether Toyota "knew" it was copying the LEXIS trademark when they adopted LEXUS. Although there was testimony in the record that Toyota was aware of the existence of LEXIS, its trademark attorneys advised them that the existence of LEXIS registration for use on computerized data retrieval services did not bar Toyota's adoption of LEXUS.<sup>247</sup>

Under Gordon's model, the defendant must have known he was copying from the plaintiff before Gordon would find liability. The reasoning for this is to preserve fairness, avoid harming the defendant and preserving his autonomy, and to further the societal goal of preserving markets.<sup>248</sup>

Therefore, even though the district court clearly established that Toyota "knew" of the LEXIS mark, because of the technical differences, the court found that Toyota did not "knowingly use" the mark. This circular analysis is no more helpful than saying that if the mark was likely to cause confusion, it must have been similar.

Gordon's next element, "asymmetrical market failure,"<sup>249</sup> is also not likely to be satisfied in a dilution cause of action. "Asym-

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<sup>246</sup> I am uncomfortable with this aspect of Gordon's model because a trademark is not subject to property ownership the way a copyright is. I suppose that for this reason, I could make the argument that a trademark is not even an eligible intangible. As this would not further the attempt at applying Gordon's model to dilution, I shall resist the temptation.

<sup>247</sup> *Mead Data*, 875 F.2d at 1028.

<sup>248</sup> Gordon, *supra* note 210, at 230-33.

<sup>249</sup> Gordon, *supra* note 210, at 230.

metrical market failure" is defined as conduct by the defendant that precludes plaintiff from market access. Although on its face this seems intuitively to support or justify a dilution cause of action, on further analysis it becomes plain that this is not the case.

If Toyota's actions in adopting LEXUS precluded Mead Data from market access in use of its mark LEXIS, all would agree that Mead Data deserves compensation. However, the issue is how to define "market." The market for a copyright or patent, for example, is unlimited. The market for a trademark is limited to the goods or services on which the mark has been used (or a market that is a natural extension from the original market). Therefore, by asymmetrical market failure, the issue is not whether Toyota's use of LEXUS precludes Mead Data from using the mark LEXIS on automobiles, but rather whether Toyota's actions preclude Mead Data from using its mark on computerized data retrieval services. Even for dilution analysis, the issue is not the lessening of distinctiveness in all markets, but rather the mark holder's market.

Once again, the market for the trademark is not at large. The defined parameters of the trademark are only the extent to which the plaintiff has used the mark or to which he is naturally going to expand use or intention of use. Prior appropriation of a mark in one "market" does not and should not give the holder monopolistic rights in all "markets."

Therefore, neither Mead Data, nor any trademark dilution plaintiff, could have been the victim of asymmetrical market failure because Mead Data made no sales in defendant's market and had no intention of doing so. A standard trademark infringement plaintiff is the perfect example of asymmetrical market failure. Because of the conduct of an infringer, the plaintiff would be precluded from entering a specific region of the country. For example, although the plaintiff had obtained prior rights to a mark for nation-wide use by registering the mark, the defendant had commenced use of the mark in that specific region. Unless the defendant was enjoined, the plaintiff would be precluded from that market. This is precisely asymmetrical market failure.

The next element from Gordon's model requires that the defendant have taken sales from the plaintiff's actual or intended market.<sup>250</sup> However, a dilution plaintiff never suffers from any

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<sup>250</sup> Gordon, *supra* note 210, at 238-48.

quantifiable damage and a dilution defendant never takes away a single sale that could have been made by the plaintiff.

One possible argument to satisfy this element would be that by selling vehicles under the mark LEXUS, Toyota took sales from Mead Data in the form of reducing the ability of consumers to identify LEXIS with Mead Data and raising the cost Mead Data would incur to educate consumers, thereby causing them a loss in sales.

Therefore, neither Locke's labor theory, Hegel's property justification, nor Gordon's malcompetitive copying model justify recognizing a trademark holder's rights to prevent use by third parties in a manner not likely to confuse or specifically harm the trademark holder.

#### 6. The "Unnatural" Expansion of Trademark Rights

Courts have been particularly irrational in the increasingly expansive view that they have given to recognizing intellectual property rights. Since 1987, federal courts have greatly enhanced recognition of trademark rights with a mighty "unseen hand" of Locke's theory of prior occupation.<sup>251</sup>

Even though there has been a well accepted history that colors alone could not be appropriated as trademarks,<sup>252</sup> in 1993, the Eighth Circuit held that color alone could be a trademark if the mark had obtained secondary meaning.<sup>253</sup> This holding is particularly interesting because only two years earlier, considering the same blue color, but used on a different product, the Seventh Circuit held that color alone could never attain trademark status re-

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<sup>251</sup> See *supra* notes 215-16 and accompanying text.

<sup>252</sup> See, e.g., *Diamond Match Co. v. Saginaw Match Co.*, 142 F. 727, 729 (6th Cir. 1906), *cert. denied*, 203 U.S. 589 (1906) (holding that color cannot be monopolized to distinguish a product); *James Heddon's Sons v. Millsite Steel & Wire Works, Inc.*, 128 F.2d 6, 9 (6th Cir. 1942) (holding that color is not subject to trademark monopoly except in connection with some definite arbitrary symbol or design). There are various reasons generally relied upon for denying color alone trademarks including: (1) if one color is adopted by one competitor, it will deplete the range of choices other competitors have to effectively market the same good with a different trademark; and (2) courts and juries cannot distinguish between shades and scarce judicial resources would be wasted trying to make a rule regarding how close a shade of a color could come before it would infringe. *NutraSweet Co. v. Stadt Corp.*, 917 F.2d 1024, 1027 (7th Cir. 1990). See also Craig Summerfield, *Color as a Trademark and the Mere Color Rule: The Circuit Split For Color Alone*, 68 CHI.-KENT L. REV. 973 (1993).

<sup>253</sup> *Master Distribs., Inc. v. Pako Corp.*, 986 F.2d 219, 224 (8th Cir. 1993).

ardless of how much secondary meaning it had obtained.<sup>254</sup>

Furthermore, in 1992, the Supreme Court held that the inside of a restaurant could be an inherently distinctive trademark and thus not require secondary meaning to be enforced as valid trade dress against a copier.<sup>255</sup>

This new and expansive receptivity (if not generation) of trademark rights is only explained by a new receptivity to Locke's unseen hand of natural rights. Today, courts are expanding trademark protection radically beyond past levels. Years of common law regarding color depletion and shade confusion notwithstanding, the Eighth Circuit granted trademark protection in the color blue as used on leader tape in VCR cassettes.<sup>256</sup> What changed so radically? Only the courts receptivity to the idea that because the plaintiff exerted work upon the color blue, the plaintiff's ownership and monopolization of that color used on those goods could be justified.

After years of common law that struggled to recognize trade dress protection in the first place,<sup>257</sup> where trade dress was required to be nonfunctional and have secondary meaning before it could be enforced against an alleged copier,<sup>258</sup> what has changed?

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<sup>254</sup> See *Nutrasweet Co. v. Studt Corp.*, 917 F.2d 1024, 1026-27 (7th Cir. 1990).

<sup>255</sup> *Two Pesos, Inc. v. Taco Cabana Int'l, Inc.*, 112 S. Ct. 2753, 2761 (1992).

<sup>256</sup> *Master Distribs.*, 986 F.2d at 224.

<sup>257</sup> One of the earlier "trade dress" cases found that ornamental designs or other trade dress features could not be inherently distinctive and therefore could not function as a source indicating trademark. *In re Burgess Batteries*, 112 F.2d 820, 822 (C.C.P.A. 1940).

<sup>258</sup> Trade dress is the overall visual impression of a product or provision of services. *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 613 (9th Cir. 1989); *Roulo v. Russ Berrie & Co., Inc.*, 886 F.2d 931, 935 (7th Cir. 1989). Courts have traditionally held that labels, packages and product designs may all constitute trade dress. *Freixnet S.A. v. Admiral Wine & Liquor Co.*, 731 F.2d 148, 151 (3d Cir. 1984); *Ambrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1535 (11th Cir. 1983); *T.G.I. Friday's, Inc. v. International Restaurant Group*, 405 F. Supp. 698, 708 (M.D. La. 1975), *aff'd*, 569 F.2d 895, 899 (5th Cir. 1978). Most courts have determined that trade dress can be protected only if it is non-functional and possesses secondary meaning. *Cicena Ltd. v. Columbia Telcom Group*, 900 F.2d 1546, 1548-49 (Fed. Cir. 1990); *Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 612 (9th Cir. 1989); *Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 515-16 (9th Cir. 1989); *Prufrock Ltd. v. Lasatar*, 781 F.2d 129, 132 (8th Cir. 1987); *Stormy Clime Ltd. v. Progroup, Inc.*, 809 F.2d 971, 974 (2d Cir. 1987); *Brunswick Corp. v. Sprint Reel Co.*, 832 F.2d 513, 517 (10th Cir. 1987); *First Brands Corp. v. Fred Myer, Inc.*, 809 F.2d 1378, 1381 (9th Cir. 1987); *American Home Prods. Corp. v. Barr Lab., Inc.*, 834 F.2d 368, 370 (3d Cir. 1987); *American Greetings Corp. v. Dan-Dee Imports, Inc.*, 807 F.2d 1136, 1141 (3d Cir. 1986); *LeSportsac, Inc. v. K Mart*

Corp., 754 F.2d 71, 75 (2d Cir. 1985); 20th Century Wear, Inc. v. Sanmark-Stardust, Inc., 747 F.2d 81, 92 (2d Cir. 1984), *cert. denied*, 470 U.S. 1052 (1985); Freixnet S.A. v. Admiral Wine & Liquor Co., 731 F.2d 148, 151 (3d Cir. 1984); Litton Sys., Inc. v. Whirlpool Corp., 728 F.2d 1423, 1444-45 (Fed. Cir. 1984); Industria Arredamenti Fratelli Saporiti v. Charles Craig Ltd., 725 F.2d 18, 19 (2d Cir. 1984); Warner Bros. v. Gay Toys, Inc., 724 F.2d 327, 332 (2d Cir. 1983); Harland v. Clarke Checks, Inc., 711 F.2d 966, 980 (11th Cir. 1983); Vuitton et Fils S.A. v. J. Young Enters., 644 F.2d 769, 772 (9th Cir. 1981); Vibrant Sales, Inc. v. New Body Boutique, Inc., 652 F.2d 299, 303 (2d Cir. 1981), *cert. denied*, 455 U.S. 909 (1982); Keene Corp. v. Paraflex Indus., 653 F.2d 822, 824 (3d Cir. 1981); International Order of Job's Daughters v. Lindeburg & Co., 633 F.2d 912, 917 (9th Cir. 1980); Keebler Co. v. Rovira Biscuit Corp., 624 F.2d 366, 378 (1st Cir. 1980); Truck Equip. Serv. v. Fruehauf Corp., 536 F.2d 1210, 1217 (8th Cir. 1976); Audio Fidelity, Inc. v. High Fidelity Recordings, Inc., 283 F.2d 551, 555 (9th Cir. 1960); Tas-T-Nut Co. v. Variety Nut & Date Co., 245 F.2d 3, 6 (6th Cir. 1957); Pagliero v. Wallace China Co., 198 F.2d 339, 342 (9th Cir. 1952); Rally's Inc. v. International Shortstop, Inc., 776 F. Supp. 451, 453 (E.D. Ark. 1990); Wallace Int'l Silversmiths, Inc. v. Godinger Silverart Co., 735 F. Supp. 141, 143 (S.D.N.Y. 1990); Second Earth Enter. v. Allstar Prod. Mktg. Co., 717 F. Supp. 302, 306 (E.D. Pa. 1989); White Swan Ltd. v. Clyde Robin Seed Co., 729 F. Supp. 1257, 1259 (N.D. Cal. 1989); San Francisco Mercantile Co. v. Beeba's Creations, Inc., 704 F. Supp. 1005, 1007-08 (C.D. Cal. 1988); Hartford House Ltd. v. Hallmark Cards, Inc., 647 F. Supp. 1533, 1537 (D. Colo. 1986); Freddie Fuddruckers, Inc. v. Ridgeline, Inc., 589 F. Supp. 72, 77 (N.D. Tex. 1984); Warehouse Restaurant, Inc. v. Customs House Restaurant, Inc., 217 U.S.P.Q. 411, 415 (N.D. Cal. 1982); Black & Decker Mfg. Co. v. Ever-Ready Appliance Mfg. Co., 518 F. Supp. 607, 615-16 (E.D. Mo. 1981); T.G.I. Friday's, Inc. v. International Restaurant Group, Inc., 405 F. Supp. 698, 708-09 (M.D. La. 1975). A minority of opinions have developed, however, that do not require a showing of secondary meaning if the trade dress is inherently distinctive. Roulo v. Russ Berrie & Co., 886 F.2d 931, 936 (7th Cir. 1989); Schwinn Bicycle Co. v. Ross Bicycles, Inc., 870 F.2d 1176, 1183 n.13 (7th Cir. 1989); Vaughn Mfg. Co. v. Brikam Int'l, Inc., 814 F.2d 346, 348 (7th Cir. 1987); Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc., 781 F.2d 604, 608 (7th Cir. 1986); Sno-Wizard Mfg., Inc. v. Eisemann Prods. Co., 791 F.2d 423, 425 n.2 (5th Cir. 1986); Sicilia Di R. Biebow & Co. v. Cox, 732 F.2d 417, 425 n.3 (5th Cir. 1984); Ambrit, Inc. v. Kraft, Inc., 812 F.2d 1531, 1535-36 (11th Cir. 1983); Chevron Chem., Co. v. Voluntary Purch. Groups, Inc., 659 F.2d 695, 702 (5th Cir. 1980); Alexander Binzel Corp. v. Nu-Tecsys Corp., 785 F. Supp. 719, 721 (N.D. Ill. 1992); Fashion Victim Ltd. v. Sunrise Turquoise, Inc., 785 F. Supp. 1302, 1308 (N.D. Ill. 1992); Storck, L.P. v. Farley Candy Co., No. 92C0552, 1992 WL 18796, \*2 (N.D. Ill. Jan. 27, 1992); Remcraft Lighting Prods., Inc. v. Maxim Lighting, Inc., 706 F. Supp. 855, 857 (S.D. Fla. 1989); Bloomfield Ind., Div. of Speciality Equip. Co. v. Stewart Sandwiches, Inc., 716 F. Supp. 380, 385 (N.D. Ind. 1989); Philip Morris, Inc. v. Midwest Tobacco, Inc., 9 U.S.P.Q.2d 1210, 1213 (E.D. Va. 1988); Haan Crafts Corp. v. Craft Masters, Inc., 683 F. Supp. 1234, 1240 (N.D. Ind. 1988); Blue Coral, Inc. v. Turtle Wax, Inc., 664 F. Supp. 1153, 1159 (N.D. Ill. 1987). Some courts have held that the interiors of restaurants can be protected under trade dress analysis. Prufrock Ltd. v. Lasatar, 781 F.2d 129, 132 (8th Cir. 1987); Fuddruckers, Inc. v. Doc's B.R. Others, Inc., 826 F.2d 837, 842-43 (9th Cir. 1987); Rally's Inc. v. International Shortstop, Inc., 776 F. Supp. 451, 453 (E.D. Ark. 1990); Taj Mahal Enters. v. Trump, 745 F. Supp. 240, 252 (D.N.J. 1990); Freddie Fuddruckers, Inc. v. Ridgeline, Inc., 589 F. Supp. 72, 75-75 (N.D. Tex. 1984); Warehouse Restaurant, Inc. v. Customs House Restaurant, Inc., 217 U.S.P.Q. 411, 415-16 (N.D. Cal. 1982); T.G.I. Friday's, Inc. v. International Restaurant Group,

Clearly, courts are more receptive to Locke's unseen hand. Today, if an individual is first to occupy a trademark through use, regardless of the form of the trademark, or ancient common law doctrines to the contrary, he or she is much more likely to prevail than ten years ago.

The unseen hand of Locke is also guiding the dilution theory proponents. Under proposed section 43(c), the first to occupy a mark and exert enough labor upon that mark to make it "famous" (whatever that means) will be rewarded with a "super trademark" that is valid against others on an almost monopolistic level. Moreover, because of this, a federal cause of action for dilution is then only "natural."

Even though Locke's unseen hand seems to be clearly at work in the expansion of trademark rights, the Supreme Court in *Feist Publications*<sup>259</sup> clearly and unequivocally disposed of the pure labor theory as justification for copyright. In that case, the Supreme Court held that "sweat of the brow" alone could not be justification for granting copyrights in a telephone book.<sup>260</sup> However, dilution proponents would have us believe that "sweat of the brow" alone is justification for recognizing rights in color, the inside of restaurants and so-called diluted trademarks.

#### 7. Dilution Creates Copyrights in the Idea of the Trademark

As stated above, Middleton provided one of the better criticisms of trademark dilution theory to date.<sup>261</sup> Middleton's argument essentially provided that expanding trademark rights to include an injunction against dilution would create a copyright in the trademark itself, thus prohibiting others from copying and using it regardless of whether they were in competition. Actually, Middleton was exactly on the right line of thought but did not go

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405 F. Supp. 698, 709 (M.D. La. 1975), *aff'd*, 569 F.2d 895, 899 (5th Cir. 1978). However, until 1991, all of these courts had held that restaurant interiors could not be protected unless they had secondary meaning. *Prufrock*, 781 F.2d at 133; *Fuddruckers*, 826 F.2d at 843-44; *Rally's*, 776 F. Supp. at 453; *Taj Mahal*, 745 F. Supp. at 252; *Freddie Fuddruckers*, 589 F. Supp. at 78; *Warehouse*, 217 U.S.P.Q. at 415; *Friday's*, 405 F. Supp. at 708-09. I am greatly indebted to David Burgess (Chicago-Kent, '94) for his research assistance regarding this issue.

<sup>259</sup> *Feist Publications, Inc. v. Rural Tel. Servs. Co.*, 499 U.S. 340 (1991).

<sup>260</sup> *Id.* at 354.

<sup>261</sup> See *supra* notes 154-56 and accompanying text.

far enough. Dilution not only attempts to protect a mark as if copyrightable subject matter, it, in fact, also grants a copyright in the idea of the trademark in the minds of the consumer.

A copyright subsists in a work immediately upon the fixation of that work in a tangible means of expression.<sup>262</sup> Until the work is fixed in a tangible means of expression, no copyright exists and, therefore, cannot justifiably be claimed.<sup>263</sup> The objective of this rule is to support the underlying proposition that one should not be able to copyright ideas, just the expression of ideas.<sup>264</sup> Therefore, if an individual has an idea for a book and does not write it down, tape it, or otherwise fix it, he or she may not claim copyright infringement if others appropriate the idea.

In copyright law, this is known as the idea/expression dichotomy.<sup>265</sup> The idea is never protected; the expression is protected to the extent it is original and tangibly fixed.

Copyright law does not grant protection for the idea in the abstract, but only the expression of the idea in the form of the actual work or invention to prohibit granting monopolies for which society receives nothing in return. Monopolies in ideas in the abstract or monopolies in information run counter to all justification of intellectual property protection.

A federal statute protecting "super trademarks"<sup>266</sup> from dilution would create a copyright in the mark itself, as well as in the abstract idea of the mark in the minds of the consumer and manufacturers. Because dilution theory would prevent even non-competitors from using the mark even in non-confusing ways, the copyright in the mark is more extensive than just the expression of the mark itself. Rather, it extends to the idea of the mark in the minds of the consumer and other manufacturers even in abstract form. Under dilution theory, the trademark holder not only controls each expression of the mark, but also attempts to control the manner in which consumers or other manufacturers perceive of

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<sup>262</sup> See 17 U.S.C. § 302(a) (1993).

<sup>263</sup> *Baker v. Selden*, 101 U.S. 99, 102-03 (1879).

<sup>264</sup> *Id.*

<sup>265</sup> See generally *Harper & Row Publishers, Inc. v. Nation Enters.*, 723 F.2d 195, 202-03 (2d Cir. 1983).

<sup>266</sup> Proposed section 43(c) would create a class of "super trademarks." Only these super trademarks would be registrable and capable of being diluting under section 43(c). See Gilson, *supra* note 3, at 117



the mark. In this matter, dilution theory attempts a monopolization of the idea of the work even outside of any use. In that respect, dilution theory violates the idea/expression dichotomy.

## *V. Conclusion*

A federal dilution statute in the form of an amendment to the Lanham Act, such as proposed section 43(c), although most likely inevitable at this point in time, would grossly expand the common law concept of trademark as our system has recognized it for hundreds of years. There are numerous practical stumbling blocks to such a statute that need to be satisfied.

There is also no satisfactory theoretical justification supporting a federal dilution cause of action. Gordon's model does not support it because it is impossible to say that a junior user "took" sales from the senior trademark user. Hegel's theory of property as actualizing the self does not justify dilution because Hegel requires some continued occupation of the object to maintain rights in the object. Because the trademark owner does not occupy the mark as used on non-competing goods in non-confusing ways, Hegel's justification also does not support dilution.

Clearly at work, however, is the unseen hand of Locke. Courts, as well as dilution proponents, are re-embracing Locke's labor theory of property—to exert work on an object means ownership of that object. Although this explains the dilution theory supported by proponents, it does not justify dilution. Locke's labor theory does not support granting dilution rights to a trademark holder because the trademark holder has not exerted any work upon the mark as used on non-competing and non-confusing goods or services. To say that only grants a government subsidized monopoly in the mark to the first comer, regardless of use of that mark. This is absolutely contrary to our system of trademark jurisprudence.<sup>267</sup> This is the price we pay for our common law system based upon use. Because there is no property in the mark itself, holders of marks must carve out their market and maintain their mark's distinctiveness based upon their use.

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<sup>267</sup> The court in *Anheuser-Busch* explained; "[t]here must also be a reasonable basis for the public to attribute the particular product or service of another to the source of the goods associated with the famous mark. To hold otherwise would result in recognizing a right in gross, which is contrary to principles of trademark law." *Anheuser-Busch, Inc. v. Major Mud & Chem. Co.*, 221 U.S.P.Q. 1191, 1194 (T.T.A.B. 1984).

Federal statutes should not be used to grant remedies where there are no wrongs, nor grant monopolies in trademarks. For as Learned Hand wrote,

the plaintiff has the right not to lose his customers through false representations that those are his wares which in fact are not, but he may not monopolize any design or pattern, however, trifling. The defendant, on the other hand, may copy the plaintiff's goods slavishly down to the minutest detail; but he may not represent himself as the plaintiff in their sale.<sup>268</sup>

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<sup>268</sup> Crescent Tool Co. v. Kilborn & Bishop Co., 247 F. 299, 301 (2d Cir. 1917).